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The untangling of Berlusconi's empire
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FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY JUNE 16 1994

Airlines expect to end four-year run of heavy losses

The international airline industry expects to return to profit this year after losing $4.1bn last year and a total of $15.6bn since 1990 on international scheduled services. The International Air Transport Association (Iata), representing more than 220 carriers, expects the industry to show a profit of about $1bn this year. Page 14

Clarke shuns boom-bust cycle: UK chancellor Kenneth Clarke pledged that the government would not steer Britain's economic recovery into a new boom and bust cycle by generating a "fraudulent, inflationary, feel good" factor among the electorate. Page 14 and Lex; Bank chief holds out rates rise prospect, Page 7

Text mix-up sinks Brussels cartel fight:

A five-year court battle was lost when fines totalling $27.5m against 14 PVC companies in an alleged plastics cartel were dismissed by the European Court of Justice because of discrepancies between the German, English, and French texts of the Commission's decision on the cartel. A further problem was that Commission president Jacques Delors (above) had only signed three of the five language versions of the original decision, taken in 1988. Page 14

Cott Corporation, Canadian soft drink maker which has led the private-label assault on Coca-Cola and PepsiCo, lost more than a fifth of its market value early yesterday amid conflicting reports about its financial condition. Page 15

US output sluggish: US industrial output grew sluggishly last month reflecting the third consecutive monthly decline in car production, the Federal Reserve said. Page 6

Protectionist tactics by US companies: US anti-dumping and subsidy laws have become a protectionist tool for uncompetitive US companies, says a report by the Congressional Budget Office, endorsing long-standing claims by foreign companies. Page 5

Call for Japanese electoral amnesty: A majority of members of Japan's lower house of parliament called for an electoral amnesty until the establishment of new constituency boundaries, likely this autumn. Page 4

Tajik minister shot dead: Ramazan Radjabov, deputy defence minister of the former Soviet republic of Tajikistan, was shot dead in an attack south-east of the capital Dushanbe.

Car parts issue stalled: The US and Japan ended three days of negotiations on increasing car and car parts imports with few indications of firm progress. Page 5

Groupe Suez, French industrial and financial holding company, completed the sale of insurance business Victoire by agreeing terms for the sale of the latter's Abeille Ré reinsurance subsidiary. Page 15

Heinz sales down: US food group H. J. Heinz said sales fell to $1.95bn in the final three months of its fiscal year to April 2, from $2.03bn in the same quarter last year, as a series of disappointing performances continued. Page 17

Mannesmann stock slips: Shares in Mannesmann, German steel pipes to mobile phones group, continued to drop in the aftermath of allegations surrounding the private business activities of Werner Dieter, outgoing chairman of its management board. Page 15

Break-up bid for Australian group: A A$445m (US$324m) break-up bid was launched for Foodland Associated, the troubled Western Australian retail and property group. Page 18

Marseilles strikes early: Dockers at Marseilles started a three-day strike a day before a planned nationwide stoppage at all French ports.

Full ties for Israel and Vatican: Israel and the Vatican established full diplomatic relations. It was also announced that the Dead Sea Scrolls are to be exhibited at The Vatican this month, their first showing in Europe.

Giant price for Rothschild wines: Three Nebuchadnezzars of Chateau Mouton Rothschild, each equivalent to 20 bottles, fetched a total of £36,000 ($54,000) at Sotheby's in London after being put on sale by Baroness Philippine de Rothschild.

■ STOCK MARKET INDICES

FT-SE 100:	3,045.8	(+6.2)
Yield	4.06	
FT-SE Eurotrack 100	1,376.41	(-7.53)
FT-SE-A All-Share	1,526.59	(+0.0%)
Nikkei	21,282.96	(-71.01)
New York lunchtime:		
Dow Jones Ind Ave	3,809.87	(-13.96)
S&P Composite	461.38	(-0.99)

■ US LUNCHTIME RATES

Federal Funds:	$4\frac{5}{16}$%
3-mo Treas Bills: Yld	4.20%
Long Bond	$87\frac{1}{8}$
Yield	7.318%

■ LONDON MONEY

3-mo Interbank	$5\frac{1}{8}$%	($5\frac{5}{32}$%)
Liffe long gilt future:	Jun $102\frac{1}{32}$	(Jun $101\frac{13}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (July)	$16.805	(16.505)

■ Gold

New York Comex (Aug)	$388.8	(386.4)
London	$386.75	(383.90)

■ STERLING

New York lunchtime:		
$	1.52835	
London:		
$	1.5293	(1.5175)
DM	2.4962	(2.4951)
FFr	8.4781	(8.5136)
SFr	2.0661	(2.1031)
Y	156.206	(155.789)
£ Index	80.0	(80.2)

■ DOLLAR

New York lunchtime:		
DM	1.635	
FFr	5.58	
SFr	1.3735	
Y	102.58	
London:		
DM	1.6354	(1.6443)
FFr	5.5768	(5.6106)
SFr	1.3735	(1.385)
Y	102.75	(102.665)
$ Index	64.8	(64.9)

Tokyo close Y 103.03

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr8.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

Brussels resurrects steel plan as aid for Italy is agreed

Hopes grow for capacity cut of 19m tonnes by September

By Lionel Barber in Brussels

The European Commission staged a U-turn yesterday and resurrected a rescue plan for the steel industry which it buried barely a month ago.

The turnaround paves the way for Italy to subsidise the closure of steel plants in the northern Brescia region, and avoids a showdown between the Commission and the new government of Mr Silvio Berlusconi.

The Commission decision preserves the loose framework for curbing state aid to the steel sector in the EU and keeps alive hopes of meeting an ambitious target of 19m tonne reduction in capacity by September. Sir Leon Brittan, chief EU trade negotiator, was a lone voice of dissent yesterday.

A month ago, Sir Leon persuaded his colleagues to block the Brescia deal. He argued that the proposal was illegal because it aimed to cut capacity rather than closing the plants down altogether, as required under the EU's code on steel aid.

This view was shared yesterday by the Commission's legal service.

But Mr Karel Van Miert, EU competition commissioner, and Mr Martin Bangemann, industry commissioner, counter-attacked in favour of a more flexible interpretation of the rules – buttressed by what they described as strict monitoring of the proposed closures of the 68 Brescia steel companies.

Mr Bangemann said the Italian contribution of 5m and 6m tonnes in capacity cuts was vital to reach the 19m target: "We are not bending the rules, we are applying the rules."

Mr Van Miert, who proclaimed the steel plan "dead and buried" a month ago after he was outvoted in the Commission, flew to Rome yesterday to present the new plan to the Italian government.

He outlined strict conditions on the transfer of aid to the Bresciani, an issue that has been complicated by the web of cross-shareholding of private companies in the small mills:

- In the event of a partial closure only, a separate legal entity will have to be set up for the part which shuts down. Italian state aid will go to the company liquidators only.
- The parts of companies which remain open must not increase capacity for at least five years.
- Each batch of state aid will be monitored individually by the Commission, with a report sent to EU industry ministers (who are required to approve yesterday's Commission decision).
- Companies cutting capacity will have to scrap all their plant, with no chance of moving it elsewhere in the Union or outside Europe.

This last point is viewed as crucial in order to fend off complaints from the US. Brussels is, however, playing down Sir Leon's argument that the flexible interpretation of the steel aid code could make it more difficult to negotiate a multilateral steel deal under the auspices of the Gatt world trade organisation.

Mr Van Miert agreed that the presence of Mr Bangemann – absent in Estonia a month ago on the day of the previous Commission vote – had proved significant. "I always feel it is important, especially the weight he represents," said Mr Van Miert.

Steelmakers' suspicion, Page 2

Former US president Jimmy Carter and his wife Rosalynn meet high-ranking members of the North Korean army at the truce village of Panmunjŏm yesterday Picture: Reuter

N Korea warns of war if UN sanctions go ahead

By John Burton in Seoul and Bruce Clark in London

North Korea yesterday warned of a "pitiless war" if the United Nations imposed sanctions over its disputed nuclear facilities.

The warning came as former US President Jimmy Carter began a mediation mission.

He intends to hold discussions with North Korean President Kim Il-sung in an attempt to ease the tension that has mounted over the past week following repeated threats of war by the North.

President Bill Clinton said Ms Madeleine Albright, Washington's ambassador to the UN, was consulting with other members of the Security Council on a proposal for phased sanctions if Pyongyang continues to bar nuclear inspections. "We're going to be very deliberate, very firm," he said before meeting Republican and Democrat Congressional leaders.

Mr Robert Gallucci, US assistant secretary of state, said the North yesterday continued to permit routine monitoring by inspectors from the International Atomic Energy Agency at its Yongbyon reactor despite having informed the IAEA, the UN's nuclear watchdog, that it was withdrawing from the organisation.

North Korean officials welcomed Mr Carter's private visit as heralding a possible resumption of dialogue with the US. At the same time, Radio Pyongyang quoted Mr O Jin-u, North Korean defence minister, as insisting that his country would no longer accept any kind of nuclear inspection. And, in Paris, Mr Pak Dong Chun, North Korea's ambassador to France, warned that unless the US relented, it might expel the inspectors and withdraw from the nuclear non-proliferation treaty.

He told Reuters that countries backing sanctions "must not make the wrong calculation, they must be aware of the catastrophic consequences," adding: "It would be a pitiless war and if, despite our warnings, South Korea threw itself into such an adventure and supported sanctions, it would not be spared."

South Korea yesterday sought to calm the war scare that has affected the country's financial markets. President Kim Young-sam briefed financial leaders explaining that there was no cause for alarm.

The Seoul bourse general share index yesterday fell by 12.80 points, or 1.4 per cent, to 890.92 after suffering a 2.1 per cent decline on Tuesday.

Defence officials have emphasised that there are no unusual troop movements or training activity to indicate that North Korea is preparing for war. To prevent a possible surprise attack, the US has increased aerial surveillance of North Korea, which is "already one of the most closely-watched places on the face of the earth," according to one US official.

Tony Walker adds from Beijing: China yesterday strongly urged an early resumption of dialogue to halt what it described as a "further deterioration" in the North Korean issue.

Beijing signals an easing in row over Hong Kong

By Simon Holberton in Hong Kong

China has signalled an easing of its dispute with Britain over Hong Kong's political development, which has hindered commercial negotiations between the two countries and clouded the future of the colony.

It emerged yesterday that Mr Qian Qichen, China's foreign minister, had told a group of Hong Kong trade unionists that the dispute with Britain was "past" and that relations between the UK and China should be "corrected and improved".

Mr Qian's remarks, made on Tuesday, come at a time when both governments are making efforts to repair relations after a particularly bruising two-year dispute about Hong Kong's political development.

The row culminated late last year with Governor Chris Patten pushing ahead with his blueprint for political reform. Mr Qian repeated on Tuesday Beijing's threat to call fresh elections after it resumes sovereignty in 1997.

The apparent thaw in relations will face a test at the end of this month when Hong Kong's legislature votes on Mr Patten's democracy plans. Most of the proposals are expected to be accepted.

Since the spring, Chinese officials have indicated a willingness to get on with practical matters concerning the transfer of Hong Kong. However, some Hong Kong government officials suspect Beijing has started a charm offensive of little substance.

Britain, for its part, has avoided provoking China, especially on human rights-related issues. The government is set to reject the establishment of a human rights commission in Hong Kong when it makes its response at the end of this month to a Commons' foreign affairs committee report on Hong Kong and China. Another sign that a thaw in relations is under way is

Continued on Page 14

Rocard challenges rivals to declare their intentions

By David Buchan in Paris

Mr Michel Rocard, the French Socialist leader, yesterday staked his political future on a confidence vote on Sunday within his party and challenged rival bidders for the French presidency to stand against him.

Mr Rocard said the Socialist party's national council would determine "my present and future" in the wake of what he called a "very serious setback" for the Socialists in the European elections. The party won only 14.5 per cent of the vote, its worst performance for a quarter of a century.

Last night, Mr Rocard said he would seek a vote of confidence from the party's national council. Rivals seeking the party's nomination in next year's presidential race should run against him.

"Anyone who wants to, and thinks he has something to propose, can be a candidate [for the presidency]. No one can claim to have a hold on the position," he said.

"As for me, it goes without saying that I will let the next National Council decide. I have never run away from responsibility."

However, he said the right time for the party to designate its presidential standard-bearer was "not for several months, at the end of this year or the start of next year".

The French system lacks clear-cut US-style primaries to designate presidential candidates. But since he became the Socialist party's first secretary after its parliamentary election defeat in March 1993, Mr Rocard has striven to acquire the mantle of the party's "natural" presidential candidate.

In yesterday's statement, Mr Rocard effectively said this mantle was up for grabs.

But he also made clear that he intended to fight for the presidential candidacy. He said that from the Euro-election result "we have to draw the consequences, individually for myself, but also collectively for us all".

He said he would have "propos-

Michel Rocard: staking his future on a vote of confidence

als for our recovery" to put to the 300 odd members of the national council on Sunday.

In the immediate aftermath of the June 12 poll he had offered to resign, but close associates dissuaded him from doing so. However, many in the party, including Mr Laurent Fabius, whom Mr Rocard ousted last year as party leader, have been openly questioning whether Mr Rocard can carry the Socialist colours into next year's presidential campaign.

The gravity of the situation for Mr Rocard was graphically illustrated in a survey carried out for the Libération newspaper, which showed that last Sunday the Euro-list of Mr Bernard Tapie, the populist Marseille politician, had far outpolled the Rocard list among the young and blue collar workers, two key constituencies that kept the Socialists in power in the 1980s.

However, the odds still probably favour Mr Rocard staying on as leader for a while, if only because Mr Jacques Delors is the only other mooted Socialist presidential candidate of any stature and his 10-year stint as European Commission president is not due to end until December.

The party has some prominent politicians of the same generation as Mr Tapie, like the 47-year-old Mr Fabius, but few of the same polling power.

CONTENTS

Hurd does not rule out Belgian to succeed Delors if choice is deadlocked at Corfu summit

Britain leaves the door open to Dehaene

By Philip Stephens in London and Lionel Barber in Brussels

Mr Douglas Hurd, Britain's foreign secretary, yesterday underlined the government's determination to press the candidacy of Sir Leon Brittan as the next president of the European Commission. But he pointedly left open the door to the eventual appointment – possibly in the autumn – of Mr Jean-Luc Dehaene if there was an impasse at the European Union summit in Corfu.

The chances of breaking the deadlock over the succession to Mr Jacques Delors now rest on a meeting of Christian Democrat leaders in Brussels next Wednesday, two days before the summit.

Mr Dehaene, Belgian prime minister, and Mr Ruud Lubbers, his Dutch counterpart, will be present, but so will Chancellor Helmut Kohl of Germany, the most likely powerbroker. Mr Kohl will also discuss the issue in Bonn today with Mr Silvio Berlusconi, the Italian premier. Italy is seen as a crucial swing vote.

Senior Brussels diplomats said the leadership contest could be defused if either Mr Dehaene, the Franco-German candidate, or Mr Lubbers, the one-time favourite, dropped out of the race.

In a wide-ranging review of Britain's approach to the Corfu meeting, Mr Hurd defended the "multi-speed, multi-track" approach to Europe it had set out in the recent elections for the Strasbourg parliament.

He said this vision of a more flexible Union did not mean Britain would lapse into a "sour, negative view". Nor would it consign itself into a notional "slow lane".

Instead, in defence and foreign policy, for example, the government was determined to remain in the forefront of efforts to strengthen co-operation. He told a committee of MPs: "What we want to do is to make the common foreign and security policy effective.... we are in the van." There would be other areas in which Britain would take a lead.

But he hinted that the government expected the work of the 1996 intergovernmental conference on the next stage of development of the EU might extend well into 1997, the last date for the next British general election.

Mr Jean-Luc Dehaene: refusing to announce his candidacy publicly Reuter

Pressed on the succession to Mr Delors, Mr Hurd said that Sir Leon was an "outstanding candidate" who would have the strong and full support of the British government. He refused though to criticise Mr Dehaene, commenting: "We have nothing against him personally. In fact, he presided rather well over the Belgian presidency." The job description for the next president would be as important as the individual chosen for the post. Britain did not want another "philosopher king" seeking to extend the authority of Brussels. Rather, the Commission should "grip and deal competently and persuasively with the powers it already has".

Hopes of a deal in Corfu rest on a complicated package in which the job of Commission president would be traded for the top post at the European Council secretariat and a joint European Union candidate for the World Trade Organisation.

Mr Lubbers is said to be digging in his heels after being snubbed by the French and Germans. Mr Dehaene, who has refused to announce a public candidacy, has now "developed a real taste for the job", according to an associate.

A Dutch veto of Mr Dehaene would allow the British to avoid the blame for a stalemate at the summit. Sir Leon Brittan, chief EU trade negotiator, paid a visit to President François Mitterrand yesterday to push his candidacy. Mr Lubbers saw Mr Mitterrand for an hour in Paris yesterday – continuing the public lobbying for a job which, in the past, has been settled through discreet diplomacy.

EU steelmakers suspicious of Brescia ruling

By Our Foreign and Industrial Staff

Europe's steelmakers reacted with resignation but little enthusiasm yesterday to the European Commission's decision to let Italy grant aid that will help steel plants in the Brescia region cut capacity.

The move keeps alive the European Union's rescue plan for the industry. Ms Angela Busi, who heads the long products division of the Italian steel federation, said yesterday: "It's obviously a step forward and we are very happy."

But steelmakers elsewhere in Europe believe aid rules are being bent, or at least fudged. British Steel said it still believed that only those subsidies which conformed to the EU steel aids code should be allowed. The Italian aid did not appear to conform.

Usinor-Sacilor, the French state-owned steel group, gave a mixed reaction to the ruling. While it welcomed the extension of Italian capacity cuts, it stressed that the terms of the aid to the Bresciani steel plants had to be rigorously observed.

There was also considerable scepticism over where the final 2m-3m tonnes of capacity cuts would come from to achieve the minimum 19m tonnes of cuts in hot rolled products capacity sought by the Commission.

The Italian plan to cut 5m-6m tons of capacity would produce total cuts of 16m-17m tonnes across Europe, assuming that the 11m tonnes of cuts already pledged are implemented.

But one industry spokesman described as a "Delphic utterance" yesterday's statement by Mr Martin Bangemann, the industry commissioner, that there were several possibilities under discussion to make up the shortfall.

"We have no idea what he is referring to," said the observer.

Thyssen, Germany's biggest steelmaker, said it was relieved that the EU steel plan had been revived but warned that it would be difficult to turn projected cuts into real cuts.

"Generally the plan is an instrument which stabilises the market," said Mr Peter Blau, spokesman for Thyssen. "The question is will the Italians actually be able [to make the cuts]? There I have my doubts."

Usinor-Sacilor, meanwhile, said that even if the 19m tonne target was not reached, the important thing was to maximise the amount of restructuring.

● Thyssen said there were no immediate prospects that yesterday's developments would bring a solution for Eko Stahl, the ailing eastern German steelworks, any closer. "We have had talks with a variety of partners in France, Britain and Luxembourg but there is still no solution in sight," it said.

Restructuring plan could cost over 6,000 jobs

By Andrew Hill in Milan

The plan to restructure Italy's privately-owned steelmakers could cost more than a quarter of the 25,000-or-so jobs in the private sector, according to the industry federation, Federacciai.

Yesterday's news that the European Commission had approved the proposal did not bring rejoicing steelworkers onto the streets of Brescia, the northern Italian town where many of the myriad small steel mills are located.

But Italy's private steelmakers, particularly those financially strongest, quietly welcomed the Commission decision, and even the strict conditions attached to it, as a guarantee an orderly restructuring could now take place.

"Let's hope that now, the Italian government can get things moving," said Ms Angela Busi, managing director of the family-owned Acciaierie di Lonato and chairman of Federacciai's long-products division.

"Mr [Vito] Gnutti [the new industry minister] must now issue a definitive decree because the steelmakers don't know yet exactly what they must do."

Italy's private steelmakers say they have been waiting almost two years for a helping hand from Rome and Brussels.

They have seen most of the Italian government's political effort go into negotiations with the Commission about the high-profile fate of Ilva, the chronically loss-making state-owned manufacturer which employs about half the steelworkers in Italy.

Meanwhile, the inability of the government to guarantee funding for private-sector closures helped scupper some manufacturers' attempts last year to pool their resources in a Commission-approved "crisis cartel".

Now, however, the misnamed "Bresciani" (the town may be the biggest but it is not the only steel-making centre in Italy) believe they have found a champion in Mr Gnutti, who is due to meet Mr Karel Van Miert, European competition commissioner, in Rome today.

Mr Gnutti, a member of the populist Northern League, is from Brescia, and industry sources say he has already impressed them with his dedication to the problem.

In talking to Brussels, he may have been helped by the fact that the Commission could not really look elsewhere for the additional private-sector cuts needed to complete its EU rescue plan.

This is partly because it is a highly fragmented sector, a side-effect of rapid growth after the war, when family-owned companies took advantage of the abundance of scrap to fuel their foundries. The sector groups as many as 90 different companies, 68 of which committed themselves to the closure programme approved yesterday in Brussels.

Certain individual companies are just as efficient as, if not more so than, their competitors in other EU countries, but everybody in the sector agrees that as a group, the Bresciani are too numerous and too small.

Yesterday's Commission decision will mean outright closure for some small companies, which is bound to leave a bitter taste. But it will permit some of the larger and more complex groups, which operate in different sectors of the steel market, to carry out a subsidised closure of their least-efficient units, provided they meet the Commission's conditions.

Mr Enrico Badiali, a director of Federacciai, adds that Brussels is getting a bargain by accepting the plan.

He points out that a commitment to cut capacity by 7m tonnes, in exchange for about L700bn (£288m) of state aid, compares favourably with the deal struck for Ilva, which is allowed to make smaller cuts and receive greater subsidies.

If the plan succeeds, he admits that the future for the private sector, enlarged by the addition of newly-privatised Ilva divisions, will be more optimistic than for many years: "Reduced dependence on scrap, better efficiency for those who remain, fewer players and a more stable market."

EU transport ambitions depend on private cash

By Charles Batchelor, Transport Correspondent

Private sector finance will be needed to fund half the European Union's ambitious plans for a trans-European network of transport links, a leading specialist said yesterday.

Of the Ecu70bn (£540bn) needed for the ten most advanced transport projects, Ecu35bn will have to be raised from private sources, according to Mr Wolfgang Hager, director of the European Centre for Infrastructure Studies, a think-tank.

Only Ecu23bn would come from taxes (including the Union budget), Ecu9bn from the European Investment Bank, and Ecu3.5bn from the railway companies, he told the Financial Times conference, Transport in Europe.

The ambitious scale of the EU's transport plans raised the danger of the overall vision being lost and the project petering out before it had properly begun, he warned.

Traditionally, transport plans had emerged from a slow technocratic process, based on traffic forecasts, "which relieve bottlenecks perfectly obvious to everyone for decades", he said. The trans-European network programme, by contrast, involved a far-reaching vision of the future.

The limited financial resources available to carry out the programme were in stark contrast to the ambitious political and economic goals of the programme, Mr Hager said.

It sought to achieve a physical integration of the internal European market, to boost regional development, to support industrial policy and to deregulate the supply of goods and services.

The programme might also run into problems because of the shift in spending involved from roads to public transport, Mr Hager said.

Mr Jürgen Erdmenger, a director of the European transport directorate-general, said that at present EU member states spent 66 per cent of their Ecu50bn annual transport budgets on roads, 23 per cent went on rail, 5.6 per cent on airports, 3.5 per cent on ports and 1.5 per cent on canals.

The trans-European network programme envisaged spending a total of Ecu400bn over the next 10-20 years, of which just 30 per cent would go on roads, 60 per cent on rail and 5 per cent on canals.

Foot-dragging slows path to single market

Eighteen months ago the single market for Europe was launched with great fanfare. Yet it is still far from complete. Today, the European Commission will point the finger at the EU's most slothful members to find out why their parliaments have still not adopted all the legislation crucial for the free flow of goods, services and capital within the market's frontiers.

Commission tables to be produced at today's council of ministers meeting in Luxembourg show that Germany, France and the Netherlands have the poorest record on pharmaceutical products; in company law Germany, Greece, Spain and France fall well short; on intellectual property, half the EU's member states have delayed adoption of the relevant directives; perhaps most worrying of all – since it accounts for 15 per cent of the EU's gross national product – is the sluggish progress made on securing a single market in public procurement.

Second, and more crucially, ministers will be asked to consider a proposal designed to examine rigorously those areas of the single market where no harmonisation legislation applies but where the principal of "mutual recognition" of technical standards is supposed to ensure that pressure cookers made in Italy, for example, can be sold without obstacle anywhere else in the Union.

This proposal goes to the heart of a dilemma facing Europe's policymakers. With countries still blocking goods from other member states on the often spurious grounds that safety or technical standards do not match, the Commission has to decide whether more legislation is required to maintain momentum behind the single market.

It is unlikely to get agreement on the proposal today. Several countries are opposed, most notably France and Germany, against whom most complaints have been received.

The decision to step up pressure on EU members comes after what Mr Raniero Vanni d'Archirafi, commissioner responsible for the single market, describes as a "period of observation".

"Overall, the single market is working," he says. "But in some areas, legislation at a national level has been delayed – completing the legislative programme must now be an urgent priority."

The naming-names exercise is thus designed to prod member states into speeding up their legislative programmes to ensure, as one official put it, that "home bases are covered".

The Commission insists that its approach is less about public humiliation and more about fact finding. "The idea is to go through those areas that are performing worst, and for the member states to spell out the problems that are getting in the way of adopting directives," said the official. "We want to get detailed responses from the member states as to when we can expect these problems to be unblocked."

The exercise will continue at the next council meeting in October, when Mr d'Archirafi intends to switch his focus away from the quantity of legislation adopted, to the quality of legislation once it reaches national statute books.

But more likely to provoke heated argument at today's meeting is the Commission's proposal to examine where mutual recognition of technical standards is not working.

When the single market was first dreamt up, it was deemed unnecessary to harmonise standards in all commercial sectors. Standards in sensitive areas such as medicine, chemicals, cars and toys would be harmonised under legislation agreed by all 12 member states. But for the bulk of goods and services mutual recognition was supposed to ensure that prams, lollipops and electric light bulbs, for example, would circulate freely.

In practice, there have been endless hitches. A Commission inventory of barriers to trade based on complaints from manufacturers shows that peas from Belgium, for example, came up against barriers in Denmark because of "classification problems and quality standards". The UK objected to Dutch radishes because of worries about a certain fly. Ceramic tiles from Greece have been barred from the French market because of "difficulties in obtaining type approval".

Generally, the complaints tend to come from manufacturers in smaller member states who cannot get their goods circulated in the larger countries. A survey by the Danish finance ministry produced a shockingly high number of complaints about remaining technical barriers to trade.

As a result Brussels is coming under pressure to produce more harmonisation legislation, particularly from the less powerful EU members such as Denmark and Spain, to deal with those areas where mutual recognition is failing. "There have been, for example, a lot of concerns from caravan makers," said an official from DG15, the directorate responsible for the internal market. "We have had pressure to produce a directive over things like dimensions and the materials with which the caravans are made."

As a first step, today's proposal recommends a change to the way in which complaints

Commission is pointing a finger at the laggards, writes **Emma Tucker in Brussels**, in an attempt to prod them into more rapid legislative action

are recorded. At present, Brussels relies on manufacturers to keep it abreast of what is going on at a grassroots level. Now it wants to switch the onus to the authorities who are doing the refusing. In other words, any national authority that refuses a product from one country will have to notify the Commission thereby providing Brussels with a more complete record of where problems are arising and where more harmonisation legislation might eventually be required.

Some member states – notably Britain – are very keen. The French and Germans, however, have argued that there are so many examples of where one country is blocking another's goods that the proposal will spawn unnecessary bureaucracy.

Some at the Commission are sceptical. They say the Germans and French do not want the issue to be tackled so they can continue to block products from other countries, thus protecting their own manufacturers.

What is certain is that today's meeting is unlikely to produce a consensus on the proposal. That is more likely to come in October when internal market ministers next meet.

Until then, and until the information has been gathered, the Commission will continue to favour mutual recognition as a better, less cumbersome, route than legislation. This is partly because legislation is so costly, but also in recognition of the fact that a directive on caravans, or peas would do nothing for the image of the meddling Brussels bureaucrat.

But if mutual recognition continues to be flouted by the Union's biggest and most powerful states, some countries, and many manufacturers, will step up pressure for more harmonisation. At that point Brussels will have to decide how best to tackle the grievances of the Belgian eiderdown maker who, because of the stuffing he uses, cannot sell his products in the Netherlands, Germany or France.

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EUROPEAN NEWS DIGEST

Nato, Russia in talks accord

Nato yesterday agreed to Russia's request for urgent talks on the relationship between Moscow and the alliance, despite bitter arguments at last week's meeting of foreign ministers in Istanbul. Ambassadors from the 16 Nato members yesterday "agreed to invite Russia to begin discussions in Brussels immediately", according to an alliance spokesman.

Until recently, the alliance had been insisting that Russia must join its Partnership For Peace military co-operation programme under the same procedure as the existing 20 members, by signing up first and discussing practical details later. However yesterday's decision confirmed that Russia is having some success in convincing the alliance that a wide-ranging agreement in principle on the shape of Russia-Nato relations must be sealed before Moscow signs up to PFP.

At last week's meeting in Istanbul between foreign ministers of Nato and the former Warsaw Pact, western diplomats described as a "disgrace" the firmness with which Russia insisted on several key points in the final communiqué. These included the exclusion of any reference to the possibility that countries such as Poland and Hungary might become full members of Nato. *Bruce Clark, Defence Correspondent*

French extend jobless measures

The French government is planning to extend measures aimed at curbing the growth in long-term unemployment, Mr Michel Giraud, the employment minister, said. In an interview in Les Echos, the financial daily, Mr Giraud said that the government would extend from 18 to 24 months the exemption on employer contributions to social security charges for new workers recruited from the ranks of the long-term unemployed.

According to Mr Giraud, the measure will apply to the hiring of workers who have been registered as unemployed for more than three years, who are disabled or who have been claiming welfare benefits below standard unemployment benefits for more than one year. While the overall unemployment rate has shown signs of stabilising at about 12.2 per cent of the workforce long-term unemployment has continued to rise. *John Ridding, Paris*

■ BSN, the French-based multi-national food company, has signed a joint declaration with an international trade union guaranteeing the rights of its workers to trade union representation. BSN, which employs more than 56,000 workers in Europe, the Americas and Asia, has signed the declaration with the Geneva-based International Union of Food. Most international companies say they comply with local labour arrangements. *Lisa Wood, Labour Staff*

Poles win $900m IMF standby

Poland has agreed a new draft $900m standby agreement with an International Monetary Fund team for 18 months until the end of next year. The funds will go to boosting Poland's hard currency reserves as well as helping to finance a 45 per cent debt reduction deal agreed earlier this year with western commercial banks. The policy draft, which is likely to be approved early in August by the IMF and still has to be formally adopted by the Polish government, assumes that inflation next year will fall to 16 per cent from this year's projected 23 per cent figure.

Next year's deficit budget meanwhile will fall to 3.7 per cent of gdp from this year's 4.1 per cent. Mr Michael Deppler, the head of the IMF group said yesterday that the medium-term programme drafted by Mr Grzegorz Kolodko, the new finance minister, and adopted recently by the Polish government, contained "good policies for Poland" and that he was confident that unemployment would fall by the end of 1997. *Christopher Bobinski, Warsaw*

Finnish confidence vote won

Finland's plans to enter the European Union on January 1 were spared disruption yesterday when the centre-right coalition government survived a parliamentary vote of no confidence despite the abstention of some of its own members. But Mr Esko Aho, the prime minister, faces a further challenge on the EU issue on Saturday when his Centre party votes at a special conference on whether to back Finnish membership in a referendum on October 18. The party, which is founded on the agricultural community, is deeply split on EU policy. Mr Aho is expected to prevail but a decision not to back membership would throw the government into turmoil and delay the formal ratification of Finland's accession agreement with the Union. *Hugh Carnegy, Stockholm*

Optimism on Norway economy

The Bank of Norway yesterday issued an upbeat forecast for the economy but warned the government that its loose fiscal policy and rising wage claims could cause overheating. The central bank forecast a 4.5 per cent increase in private consumption this year, against a December forecast of 2.75 per cent. It criticised the government for not tightening fiscal policy in the revised national budget unveiled in May, and warned against an inflationary budget for 1995. The Bank of Norway sees gdp growth of 4 per cent this year, with the non-oil economy expanding by 2.75 per cent this year and 3 per cent in 1995. Consumer price inflation, at 0.9 per cent, is at its lowest for more than 30 years. The central bank expects inflation of 1-1.5 per cent over the next two years and sees the current account surplus rising from NKr22bn (£2bn) this year to NKr29bn in 1995. *Karen Fossli, Oslo*

ECONOMIC WATCH

German insolvencies up 31.2%

German insolvencies rose 31.2 per cent in the first quarter of this year compared with 1993, the federal statistics office reported yesterday. Credit unions warned that Germany faced its worst year of bankruptcies since 1945 with up to 11,650 insolvencies in the first six months of this year. In western Germany, insolvencies rose 21.2 per cent to total 4,945; in the five eastern Länder the number of insolvencies leapt 117.5 per cent to 1,031, the statistics office said. It predicted the rate of insolvencies would fall, pointing to a 15.4 per cent increase in March and a still lower forecast figure for April.

In the first two months of the year, the number of insolvencies had risen by up to 40 per cent. Worst affected were construction companies, trading companies and service companies, where insolvencies rose 43 per cent. Preliminary claims against debtors in western Germany totalled DM4.3bn (£1.7bn), similar to the figure a year before, while in eastern Germany debt totalled DM1.3bn, which, despite the dramatic rise in insolvencies, was equal to the amount a year ago.

■ The Bundesbank yesterday lowered its repurchase rate from 5.10 per cent to 5.05 per cent.

■ The Dutch foreign trade surplus narrowed to Fl 1.4bn (£500m) in January from Fl 3.2bn in December, the Central Bureau of Statistics said.

■ Finnish industrial production adjusted for working days increased 9.7 per cent year-on-year in April, and 0.4 per cent from March, Statistics Finland said.

■ The Belgian National Bank yesterday cut its key central rate to 5.05 per cent from 5.10 per cent.

Italy tries to grasp the pensions nettle

Robert Graham on budget implications of a constitutional court decision ordering payment of arrears

The state of Italy's public finances has rudely interrupted the Berlusconi government's euphoria over its spectacular performance in the European elections.

The immediate problem is a decision last week by the constitutional court obliging the government to pay arrears on certain categories of pensions dating back to 1983. But the need to find extra funds and neutralise the impact of the court ruling has highlighted the unresolved problem of Italy's public sector deficit, still equivalent to more than 10 per cent of gross domestic product.

This in turn has provided a brutal reminder that the government of Mr Silvio Berlusconi, for all its talk of reducing taxes and stimulating the economy, has a very slim margin of manoeuvre in its as yet ill-defined economic policy. The nervous reaction of the financial markets to the court decision – both on the bourse and towards government bond prices – has rubbed home the point that the deficit cannot be ignored.

Estimates of the cost of making the pension payments vary considerably because of the complexity of interpreting the court's decision. The upper limit has been put at a staggering L30,000bn (£12.4bn) by Mr Clemente Mastella, the labour minister, and it is unlikely to be lower than L16,000bn.

The confusion is surprising because the constitutional court decision was known to be imminent.

Its ruling in favour of paying arrears on certain minimum benefits stopped in 1983 was considered a near certainty by the previous Ciampi government and Mr Mario Colombo, the head of Inps, the state pensions institute, wrote a letter on May 11 to Mr Berlusconi when he had just been named prime minister warning of the potential costs.

Tuesday afternoon was taken up by various meetings between Mr Berlusconi, his economic ministers, Inps officials and the comptroller of public accounts. Officials say that by tomorrow a definitive analysis of the cost will have been made; but they decline to say whether there will be a pre-summer mini-budget and whether plans for the 1995 budget have had to be rewritten.

The government's initial reaction is to try to spread the arrears payments over a period of years, beginning in 1995. Thus the mini-budget could be retained as the government's original objective of finding around L6,000bn (mainly in spending cuts) to hold the public sector deficit down to L154,000bn. In this way, the timid economic recovery could be encouraged, stimulated by already announced measures giving tax incentives to invest and create new jobs.

A old man buys greengroceries at a market stall at Porta Ticinese, Milan. The growing population of pensioners – more than 20m and for the first time more numerous than those in work – cannot be funded by the contributions of those in jobs *Trevor Humphries*

But this approach would not obviate the need for a tough 1995 budget if Italy is to lower the budget deficit in line with its main European partners as pledged. The government is acutely aware of this dilemma and hopes the markets will be satisfied by an early commitment – probably before the end of the month – to tackle the issue of pensions head-on.

Italy's generous state pensions scheme has become a drain on Italy's public finances. Pensions are the largest item in the budget and account for 42 per cent of current spending. Measures introduced by the Amato government in 1993, considered bold at the time, are now inadequate.

The compulsory retirement age was raised from 55 for women and 60 for men to 60 and 65 respectively (a rise of one year every second year as of 1993). The reference period for calculating pensions was increased from 5 to 10 years and the period of contribution entitlements was raised from 15 to 20 years.

The linkage between nominal wage growth and wages was cut, restrictions were imposed on the much abused early retirement benefits and employee contributions were raised marginally to 9.9 per cent of total earnings.

According to the Bank of Italy, pension outlays last year were L181,000bn, up 4.7 per cent. But without the Amato measures the bank says the rise would have been far greater.

Equally worrying is the way the growing population of pensioners – more than 20m and for the first time more numerous than those in work – cannot be funded by the contributions of those in jobs.

This year the treasury expects to have to cover a deficit of L74,000bn. The amount is already L7,000bn above budget and could be higher, as double the number expected of local government employees have submitted requests for early retirement. There have also been costly early state-backed retirement settlements in the steel and motor industry.

Japan MPs urge electoral amnesty

By William Dawkins in Tokyo

A majority of members of Japan's lower house of parliament yesterday called for an electoral amnesty until the establishment of new constituency boundaries, likely this autumn.

The request, in a petition signed by 306 of the 511 members of the lower house, was presented to Mr Tsutomu Hata, prime minister of the embattled minority government.

This reduces the likelihood of a sweeping change in government over the next few months, but does not rule out a vote of no confidence against the administration.

Mr Yohei Kono, president of the Liberal Democratic party, and Mr Tomiichi Murayama, chairman of the Social Democratic party, the two biggest opposition groups, have called for a vote of confidence after this year's long-overdue budget gets through the upper house. Parliamentary officials expect the budget to be adopted by June 23, a week before the end of the parliamentary session on June 29.

If successful, such a vote would lead to a cabinet reshuffle which could broaden the government with opposition members getting ministerial posts.

Signatories to yesterday's petition, organised by Mr Yuji Tsushima, chairman of the LDP's main policy board, include 60 LDP politicians and 34 from the SDP. This confirms that opposition parties agree, after weeks of indecision, that they would gain little by calling an election under the existing multi-seat constituency system. That would make it look as if they wanted to delay popular political reform.

Parliament agreed only last January to replace the existing system, blamed for fostering corruption, with a mixture of proportional representation and single-seat districts. However, the Home Affairs Ministry has not yet completed the draft of the electoral boundary bill needed to complete political reform, expected to go to a parliamentary session after the summer break.

Meanwhile, the coalition is negotiating behind the scenes to attract support from both opposition parties and stave off a no-confidence vote.

Here the North Korean crisis has tipped the balance towards a coalition partnership with the LDP, on the grounds that it may need LDP moderates' support for sanctions against Pyongyang. The strategy of Mr Koji Kakizawa, foreign minister, for a warning to North Korea followed by phased United Nations sanctions has broad LDP support. Mr Kakizawa was a member of the LDP until seven weeks ago, when he accepted a job with the new government.

A growing number of LDP politicians want to keep Mr Hata in power at least until early next month, to avoid Japan looking embarrassingly leaderless at the annual Group of Seven summit in Naples from July 8 to 10.

A last-minute parliamentary rush to get the budget through the lower house prevented Japan from sending a cabinet minister to the recent ministerial meeting of the Organisation for Economic Co-operation and Development.

Signals mixed on industrial production

By Gerard Baker in Tokyo

Japan's industrial output fell in April more sharply than previously reported, according to figures published by the Ministry of International Trade and Industry yesterday. Output dropped by 1.9 per cent, against last month's estimate of a 1.4 per cent fall.

Monthly figures have been subject to erratic fluctuations in the past year, and the more reliable three-month-on-three-month trend shows industrial output rising from its trough at the end of last year. In the three months to April, output was 1.9 per cent higher than in the previous three months.

That sharp rise in industrial production since the start of the year will be reflected in the figures for gross domestic product for the first quarter of 1994, expected to be published next week. Yesterday, officials at the government's Economic Planning Agency (EPA) hinted that the statistics were likely to show the country's total output of goods and services rose in the first quarter of the year by between 0.5 and 1 per cent, an annualised rate of 2-3 per cent.

The EPA has been markedly more bearish about the economy than other government institutions recently. But, according to officials at the EPA, the publication of the GDP figures will be accompanied by a more upbeat assessment of the country's economic prospects.

Independent economists are likely to be more cautious. The country has experienced strong growth in the first quarter of each of the past three years, only to see output fall back again later in the year.

Prices of food rise sharply in China

By Tony Walker in Beijing

Chinese consumers have been rocked by a series of steep price increases for staple foods such as grain, prompting widespread grumbling at a time of worker and peasant unrest.

The authorities last week increased the price of premium quality flour by 37 per cent and rice by nearly 17 per cent. This comes on top of steep price rises for most basic commodities in the past 12 months.

A Beijing municipal official confirmed yesterday the price rises had come into force on June 10, but he said the Chinese media had been instructed not to report details to avoid inflaming opinion.

The price increase coincides with simmering unhappiness over price increases in urban and rural areas. Agitation among industrial workers has become commonplace. Cost of living increases are running at more than 20 per cent in China's cities.

China's press, warning of the dangers to the economy of spiralling price increases, has demanded action. The official Business Weekly said at the weekend the "side-effects of the pricing reform and the rocketing cost of production materials have combined to form the Achilles heel of the economy."

In March, China reintroduced price controls on 20 items, including services and food. It authorised local governments to implement measures to ease the inflationary burden on consumers.

Business Weekly reported that some local authorities have begun subsidising grain shops and restricting consumers' purchases by once again issuing ration coupons.

The government's bold gesture in raising prices, partly in order to improve payments to farmers whose commitment to producing grain had been lagging, risks fuelling unrest in the cities where unemployment rates are climbing.

A State Statistical Bureau survey warned the lifting last year of price controls on grain and other consumer products had "created imponderable effects on the economy that are now being felt."

"Analysts do not expect the inflationary pressures to abate because of the persistent adverse factors that took place in 1993," the paper said.

● The State Statistical Bureau yesterday forecast reduced economic growth this year to between 9 and 10 per cent compared with 13 per cent in 1993. It reported that growth slowed to about 12 per cent in the first half of this year. This would "make it easier" to achieve the targeted growth rate of 9-10 per cent.

UK 'must push for total test ban'

By Bruce Clark, Defence Correspondent

Britain has this week made a welcome shift in its attitude to stopping nuclear tests but should go much further, according to a group of US arms control experts visiting London to lobby for a comprehensive test ban.

The experts criticised US handling of the North Korean crisis, saying it had raised the stakes too quickly and left Pyongyang with no way to back down without losing face. "We are pushing the North Koreans into a corner," said Mr Paul Warnke, the US government's former head of arms control talks.

The shift in British policy was indicated by Mr Jonathan Aitken, defence procurement minister, in a parliamentary answer. He made it clear Britain would no longer insist any test ban treaty must contain loopholes that would allow small-scale explosions in the interests of safety.

"We now aim to use and develop alternative technologies," the minister added, indicating Britain was confident computerised simulations could substitute adequately for nuclear explosions.

Arms control advocates are lobbying hard for the five nuclear powers to conclude a comprehensive test ban treaty at their negotiations in Geneva this year. They believe a test ban will help persuade smaller countries to agree to extension and consolidation of the Non-Proliferation Treaty when it comes up for renewal in 1995.

Mr Warnke and his colleagues urged Britain to become an advocate of an early test ban, as opposed merely to following the US lead. They said Britain was wrong to insist that as many as possible of the world's potential nuclear "miscreants" should sign up before any test ban treaty entered force. This stance could lead to fatal delays in installing a new non-proliferation regime.

The Korean crisis had driven home the need for some internationally agreed arms control system, even if not all countries wanted it, because otherwise there would be no mechanism to isolate and punish wrongdoers. China wants to complete a series of nuclear tests before agreeing to a ban. In France, President François Mitterrand is a strong advocate of a ban, but right-wing opponents have reservations.

Canberra warns Pacific islanders

By Nikki Tait in Sydney

Australia, a substantial trading partner and provider of aid to the South Pacific, yesterday urged island nations to improve internal government policies, warning that they could face serious and mounting economic problems if they failed to act.

In a hard-hitting speech, Mr Gordon Bilney, Australia's Pacific island affairs minister, said there were some broad issues – such as environmental management, population growth, and trade and investment – "which if not addressed with a sense of urgency could have consequences which would make more immediate political problems seems small by comparison".

Mr Bilney noted that real gross national product in the Pacific island countries had grown by an average rate of only some 0.1 per cent a year over the past decade. "In short, whatever policies we've been following in the South Pacific – and by 'we' I mean island countries and donor countries alike – are demonstrably not working," he said.

The minister offered few precise remedies, but stressed the need to achieve lower population growth rates by "a careful mix of policies". He also urged nations to develop a united approach towards bigger, distant-water fishing nations, to ensure sustainable development; to guard against exploitation of topical forests; and to mobilise domestic savings and open their economies to foreign investment.

Asked whether Australia would consider withholding aid from Pacific nations which failed to improve internal policies, Mr Bilney said this was "far too stark".

Mr Bilney's speech represented the first significant policy statement on the South Pacific by an Australian minister for six years. Australia's trade with the region amounts to around A$3bn (£1.46bn) a year, and its aid contribution is close to A$500m.

Pro-democracy activists print a gun and flower design for placards to be used at a rally in Bangkok yesterday evening to back Mr Chalard Vorachat. The Thai MP is on the 22nd day of a hunger strike in support of demands for a more democratic constitution. AP

Futures exchanges face clampdown

By Tony Walker

China yesterday clamped down on the country's futures exchanges as part of continuing efforts to toughen regulation of chaotic financial markets. The Securities Commission, a regulatory arm of the State Council, China's cabinet, is expected to limit severely the number of exchanges after reviewing their licences.

Some 40 futures exchanges dealing in commodities and currencies had mushroommed in China's cities since last year and were in effect operating beyond the control of the hard-pressed regulatory authorities in Beijing.

The People's Daily, the Communist party newspaper, reported at the weekend that speculation on international futures markets through local brokerages had led to huge foreign exchange losses.

The China Securities News published State Council directives calling for a "strict halt to the blind development of the futures markets". These directives placed a ban on dealing on overseas markets and also required that existing positions be unwound.

In an editorial, the Securities News said hundreds of millions of dollars had flowed out of China through futures trading.

Many of China's so-called futures markets will, after the Securities Commission review of their activities, be designated wholesale markets and stopped from futures dealing.

Aviation body calls for tighter procedures in airline licensing

Iata presses Russia on air safety

By Paul Betts, Aerospace Correspondent, in Geneva

The International Air Transport Association (Iata) is urging Russia to enforce more stringent licensing procedures for new airlines and improve flight safety standards in the face of an alarming increase in the country's air accident rate.

Iata is also worried by flight safety standards in the rapidly growing Chinese market.

Mr Pierre Jeanniot, Iata's director-general, yesterday said he had written to the Russian authorities recommending them to be "more cautious" in granting licences for airlines being established following the break-up of Aeroflot.

Iata officials said civil aviation figures from the former Soviet Union showed "a considerable decrease" in safety last year and so far this year.

Although the volume of air traffic has been falling because of high fares and poor service standards, the number of deaths caused by air accidents increased last year to 348 people compared with 250 in 1992.

This year, the figure is likely to be even worse following the Aeroflot Airbus A310 crash and another fatal accident involving a Russian-built Tupolev Tu-154 airliner.

But on China, Mr Jeanniot said he was encouraged by the Beijing government's decision to limit the number of new licences it is issuing for new domestic airline operations. "China realised they were getting a bit thin to ensure safety standards and decided to curb growth a little to ensure better safety," he said.

He suggested Russia should adopt such a policy at a time when applications to start airlines continued to flood in. Since the split-up of Aeroflot, there have been requests for licences to establish more than 300 airlines in the former Soviet Union.

Iata senior officials will also be visiting China next week to discuss how the organisation, grouping more than 220 airlines, could assist in improving and modernising China's air transport industry.

The crash in China last month of a Russian-built aircraft killing 160 passengers, has highlighted safety problems facing Chinese civil aviation, which is suffering a severe lack of infrastructure at a time when the market is growing by around 20 to 30 per cent a year.

"The growth of aviation in China is spectacular but they have to learn to cope with that growth," Mr Jeanniot said.

It is understood the UK Foreign Office may warn travellers to avoid if possible using internal Chinese flights. It has issued a similar warning to avoid domestic flights in Russia. The US Air Transport Users' Asociation has warned travellers not to use domestic carriers in Russia.

Appeals likely over Abu Dhabi BCCI sentences

By Andrew Jack

Both prosecution and defence sides are considering appealing against sentences handed out in the Abu Dhabi courts on Tuesday to 12 former executives of the collapsed Bank of Credit and Commerce International.

All but one of 13 BCCI executives on trial were found guilty and given jail sentences totalling 61 years and a demand they repay more than $9.1bn (£6bn) of money belonging to Abu Dhabi, the majority shareholder in the bank.

Lawyers were yesterday trying to clarify the procedures for determining how long those sentenced would have to stay in prison, given the improbability of being able to pay the civil penalties imposed.

It appeared that any judgment on this would rest with the Abu Dhabi court of execution, a senior court.

It was also unclear yesterday whether periods spent in detention in the Police Officers' Club in Abu Dhabi by 10 of those charged would count towards their sentences.

Six of those found guilty have been sentenced to three years each, but since under local law 21 days counts as a month and they have been held since September 1991, this period has expired.

The Abu Dhabi authorities said they were attempting to gain access to Mr Agha Hasan Abedi, founder and president of BCCI, who was sentenced in his absence to eight years. He is unlikely to be extradited from Pakistan.

Under the terms of an agreement drawn up with the US authorities, Mr Swaleh Naqvi, former chief executive of BCCI, may be returned to Abu Dhabi from the US after he has served out any sentence in the US, where he was flown in May.

The US authorities are believed to be considering sending him first to the UK or other countries with which it has extradition treaties for possible prosecution.

New violence overshadows Algeria's debt problems

International creditors wonder whether refinancing will prove a futile gesture, writes Francis Ghilès

When Algeria's commercial bank creditors meet in the next few weeks they will almost certainly follow the example of the country's official creditors at the beginning of the month and reschedule or refinance its $4.7bn (£3.13bn) of commercial debt.

But they are unlikely to be any more convinced than the official creditors are that the violence and political stalemate will not make it a futile gesture.

For one thing, Algerian President Liamine Zeroual's hopes of quelling the country's Islamic insurgency appear to be foundering. After a lull in April radical Islamic groups have resumed their attacks on troop convoys, barracks and other army installations.

Between 30 and 40 people are dying every day. State-owned vehicles and buildings are being put to the torch. The control room of the Meftah cement plant near Algiers was sabotaged a few weeks ago, cutting production of a vital input for industry.

The surge in violence is causing increasing concern in western capitals, where it had been hoped that the recent agreement between Algeria and the International Monetary Fund – followed two weeks ago in Paris by the rescheduling of $5bn of the country's $26bn foreign debt to sovereign lenders – would pave the way for much-needed economic reforms.

At the London Club meeting of commercial creditors, expected later this month, the Japanese banks will play a key role. This is not only because they hold two-thirds of Algeria's commercial bank debt, but because they play a key role in financing the projects of Algeria's oil and gas company, Sonatrach. Some 95 per cent of Algeria's foreign exchange income is derived from exports of hydrocarbons and Sonatrach's capacity to increase those earnings are key to Algeria's recovery.

For the first time since Algeria became independent in 1962, foreign companies last year drilled more total depth than the state oil and gas company, Sonatrach, writes Francis Ghilès.

Sonatrach said that foreign investment by the 18 international oil companies which have so far signed exploration contracts with it grew by a third to $199m (£132.6m) and was forecast to rise to $236m in 1994.

While the Japanese banks oppose rescheduling, France has put considerable pressure on Tokyo, as it fears a fundamentalist takeover in Algeria if strong international financial backing is not available to its former colony.

When he became head of state four months ago, Gen Zeroual initiated a twin-track policy of dealing with the violence, now in its third year. He sought to establish contacts with imprisoned leaders of the Islamic Salvation Front (FIS), which in January 1992 was headed for victory when the army cancelled Algeria's first multi-party elections since independence. In fact, Gen Zeroual met the two imprisoned FIS leaders, Mr Abassi Madani and Mr Ali Benhadj, before he became president.

The second track to Gen Zeroual's policy was to order the security forces to "clean up" areas which had fallen under the control of Islamic groups.

Gen Zeroual's desire for some sort of a dialogue was a break with the past when senior members of the regime, notably the army chief of staff, General Mohamed Lamari, made no secret of their wish to "eradicate" the fundamentalists.

During the past four weeks however, supporters of the Islamic Armed Movement (MIA) which is the military wing of the FIS, and the more radical Islamic Armed Group (GIA) have murdered dozens of conscripts – in some cases by slitting their throats with knives inside their barracks.

Clashes have occurred in Telagh and in the port of Tenes, to the west of Algiers, in Medea and Bouira south of the capital and between the ports of Jijel and Collo to the east where, on May 19, a military convoy escorting 25 Russian civilians back to Algiers was ambushed, leaving three Russians and 11 Algerian soldiers dead and many wounded.

Diplomats in Algiers are however increasingly concerned at what they feel is the loss of control of the imprisoned or exiled FIS leadership over the MIA, let alone the GIA, whose leaders were trained in the camps of Peshawar in Pakistan and fought against the Russian troops in Afghanistan.

Meanwhile, infighting among senior army and security officers continues. The chief of staff, General Mohamed Lamari, appears to have gained the upper hand for the time being. But a number of his peers are reported to be unhappy about the high human cost of the tactics of "eradication". Many of the doubters belong to a younger breed of educated officers who did not fight in the war of independence against the French and have supported efforts to usher in a more modern style of economic management. Foreign observers fear that a serious split among senior commanders on how to deal with the FIS could lead to a coup – or civil war.

Ordinary Algerians continue to pay the price. Educated guesses put the number of lives lost at more than 5,000 in the past 29 months. Many fear the Islamic radicals who two weeks ago killed the rector of the Bab Ezzouar University of Science and Technology, Professor Salah Djebali. Others fear the security forces that conduct what the human rights organisation Amnesty International recently called "extra-judicial executions ... in total impunity". Shadowy government death squads are widely blamed for the recent murder of four lawyers known for their defence of Islamic activists.

Meanwhile, the 49 per cent devaluation of the dinar, which preceded Algeria's letter of intent to the IMF, resulted in relatively modest food price increases as most prices were already freely set by traders. The government also set up an effective "safety net" to soften the effects of the devaluation on the purchasing power of state employees. This helped enlist the support of the powerful trades union movement.

Senior western diplomats, bankers and oil company executives are praying that the worst will not come to pass. But one admits in private to "functioning on a wing and a prayer".

Rwandan pledge on ceasefire

The annual pan-African summit ended on an optimistic note yesterday, after winning agreement from Rwanda's warring parties to implement an immediate ceasefire, Reuter reports from Tunis.

"In view of the urgency of the situation and in their strong desire to restore peace, seriously compromised in Rwanda, the parties to the conflict have agreed to put an immediate end to hostilities," a communiqué said after the three-day Tunis meeting of the 53-member Organisation of African Unity.

However, fighting in the Rwandan capital Kigali did not immediately abate.

"Heavy mortars and small arms fire have rocked the city since dawn," said Brigadier-General Henry Anyidoho, the deputy commander of a hapless United Nations peacekeeping force. The headquarters of the UN mission in Rwanda was hit by gunfire, he added.

Germans and Swiss in pitch for WTO

By Frances Williams in Geneva

Switzerland and Germany, the two contenders to host the new World Trade Organisation, set out their respective stalls for Geneva and Bonn yesterday with a tempting array of financial inducements, benefits and privileges for the organisation and its staff. Members of the preparatory committee of the WTO, which is scheduled to take over from the General Agreement on Tariffs and Trade on January 1 1995, agreed yesterday to aim for a consensus decision by July 15.

Geneva, now home to Gatt and several United Nations agencies, remains the clear favourite. But the possibility of losing the WTO to Bonn, with the risk that this could start an exodus of international organisations from Geneva, has goaded the Swiss government into unprecedented generosity.

Germany, which is moving the seat of government to Berlin at the end of the decade, is meanwhile mounting an aggressive campaign to attract international organisations who could fill empty government offices and provide substitute jobs and incomes. If the WTO were to choose Bonn, others might follow.

Both offers include splendid rent-free accommodation (in Bonn the federal parliament buildings from 1998, in Geneva Gatt's lakeside headquarters) and conference facilities. Bonn is offering to meet removal costs and installation expenses, but Geneva is offering a building to house the diplomatic missions of least-developed countries, which would greatly reduce the costs to them of WTO and UN representation.

Geneva also has the advantage of a concentration of international organisations, including some with which the WTO will need to work closely such as the World Intellectual Property Organisation, the UN Conference on Trade and Development, the UN Environment Programme and other environmental groups.

Japanese makers increasing purchases of US parts

Car import issue unresolved

By Michiyo Nakamoto in Tokyo

The US and Japan yesterday ended three days of negotiations on increasing car and car parts imports with few indications of any concrete progress.

One Japanese trade negotiator said that the two sides still encountered differences in the bilateral car sector talks and that discussions would continue next week in Washington.

But while negotiators were locked in discussion over how to improve market access for foreign car and car parts makers, there were indications that political pressure and market forces were doing their part to improve foreign access to Japan's car industry.

Toyota, Japan's largest car maker, said it had increased its purchases of US-made car parts by 5 per cent last year to $4.65bn (£3.1bn), or more than four times the $1.1bn it spent five years ago.

Toyota expects procurement of US-made car parts will increase to $5.28bn this fiscal year as a result of increased local procurement in the US and greater imports. This is in line with a voluntary plan to increase procurement of US-made car parts announced by the company in early 1992 when former President George Bush visited Japan with US car industry executives.

Behind the increase in car parts procurement by Japanese car makers is a pressing need to reduce costs and remain competitive in the face of a high yen. Toyota already purchases 90 per cent of the leather it uses from US suppliers and 10 per cent of its sheet glass. "Domestic prices are too high," it says.

Mitsubishi Motors, which recently said it was considering buying steel from Korean makers to reduce costs, is also looking into whether it can procure the same parts for its Japanese-made cars as it does at the Diamond Star Motors factory in the US.

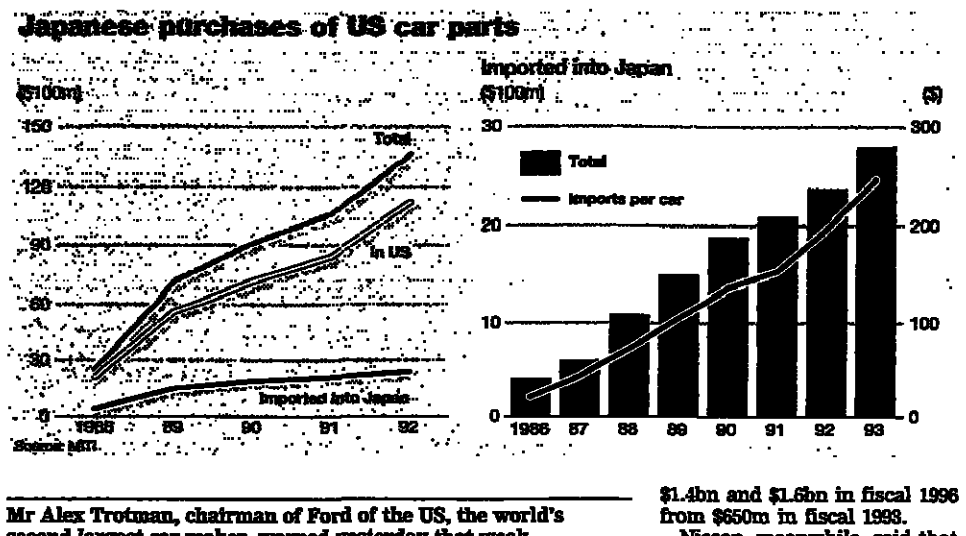
Local procurement in the US is expected to rise to between $1.4bn and $1.6bn in fiscal 1996 from $650m in fiscal 1993.

Nissan, meanwhile, said that the $3bn of local parts it procured in the US last year already exceeded its voluntary plan of $2.9bn for 1994 indicated to Mr Bush two years ago, and was more than four times the $660m the company spent in the US in fiscal 1988.

Nissan plans to increase local procurement of US-made parts by 75 per cent to $3.4bn in fiscal 1997, and to increase parts imports by 70 per cent to $1.7bn in fiscal 1996, up from an estimated $980m.

However, the Japanese car makers say that their upbeat local procurement and import plans depend to a large extent on firm markets and continued improvements by US suppliers.

Japanese purchases of US car parts



Mr Alex Trotman, chairman of Ford of the US, the world's second largest car maker, warned yesterday that weak currencies would not protect European and North American car makers for long from Japanese competition, writes Kevin Done. Despite the deep recession in the Japanese vehicle market Toyota, the leading producer, still had cash reserves of $22bn (£14.6bn), he said. "They are planning to be competitive with a yen at about Y55 to the D-Mark or Y90 to the US dollar," he told the International Chamber of Commerce in Paris.

"Protectionism lives in Japan," claimed Mr Trotman, but the protection had come at the cost of the Japanese consumer. Japan's economy was run primarily for the benefit of its producers. He warned that "Japan either must open its market, or the yen will open it up for them".

Electrolux resumes presence in S Africa

By Hugh Carnegy in Stockholm

Electrolux, the world's leading maker of household appliances, yesterday said it was resuming a direct presence in South Africa through a joint venture with Barlow, the South African industrial group.

The Swedish company sold out its operations in South Africa in 1977 after Sweden imposed trade sanctions and barred any new investments during the apartheid regime. The lifting of sanctions at the beginning of this year prompted moves back into the market by several Swedish companies, including the pharmaceutical groups Astra and Pharmacia.

Electrolux forecast it would shortly become the market leader in South Africa in vacuum cleaners and garden equipment. It will hold a 60 per cent interest in the new venture, to be called Electrolux South Africa, which will include the operations of the hitherto Barlow-owned Electrocool, which has been making Electrolux products in South Africa under licence, and the local sales of AEG white goods bought by Electrolux this year. The venture will initially make and sell absorption refrigerators, vacuum cleaners and garden products with projected sales in its first year worth SKr250m (£21m).

Row over award of Portuguese bridge contract

By Jimmy Burns in London and Peter Wise in Lisbon

Two international construction companies have become embroiled in a public row over one of Europe's most prestigious civil engineering contracts, the construction of a new bridge over the Tagus river in Lisbon.

The French company Bouygues, whose consortium lost to a consortium led by Britain's Trafalgar House, is complaining that the £714m contract was unfairly awarded and is pressing the Portuguese government to rescind its decision.

Mr Jacques Marquet, a senior executive of the French company, has written to Portugal's minister of public works questioning the basis on which the contract was awarded in April. The letter claims that Gattel, the state concession company for the bridge, ignored a report by an independent adviser to the government which stated that the French offer was better on technical grounds. The company obtained a copy of the report through its own means after Gattel withheld circulation of documents which might have shed light on how the final decision was made.

A senior manager with Bouygues said: "We think the Portuguese government made its mind up about the contract before we even started bidding. It now seems obvious to us that we were simply allowed in to simulate competition."

In awarding the contract, Gattel said the two final offers were tied in terms of financial proposals but that the Trafalgar House consortium won on "technical grounds."

The deadline for the losing consortium to appeal against the decision expires on Monday.

Mr João Morais Leitão, the Portuguese lawyer for the Trafalgar House group, yesterday said that the decision on technical aspects was made in Trafalgar's favour in January, four months before the final decision was announced, and that the rest of time was spent on deciding other aspects.

The Bouygues and Trafalgar consortiums were shortlisted in November 1993. It later emerged that the European Union was committed to providing a grant covering about half the cost of the project through the Cohesion Fund.

Trafalgar House and the French group Campenon Bernard each have 24.8 per cent in the project. Five Portuguese companies have 50.4 per cent.

The consortium known as Lusoponte plans to complete the 12km bridge by March 31 1998, in time for Expo '98, which is being hosted by Portugal.

US companies use protectionist tactics, says budget office

By Nancy Dunne in Washington

A report by the Congressional Budget Office concurs with a long-standing contention by foreign companies that US anti-dumping and subsidy laws have become a protectionist tool for uncompetitive US companies.

"Many of the legal provisions and procedures that have evolved – especially those used for calculating dumping margins – are biased against foreign exporters and against US consumers of foreign goods," the report says.

The study, requested by senior Republicans on the House ways and means committee, which oversees trade, has drawn fire from a top US Commerce Department official. The report's flaws, said Ms Susan Esserman, are "far-reaching in both substance and scope as they suggest a fundamental misapprehension of... the role and application of the anti-dumping and countervailing duty laws."

While the debate over the so-called "trade remedy" laws is raging, the Clinton administration is struggling to balance competing interests as it amends the laws in implementing legislation for the Uruguay Round deal. A ways and means committee memo on the exercise says about 70 changes to the laws are required with about 25 of them likely to raise "significant policy or political issues". Several lawyers representing exporters said an effort was under way to give domestic petitioners an advantage in administration reviews, when duty levels are assessed.

Senior Republicans said they would use the CBO study to help ensure that the changes were not protectionist. "US exports during the past five years are the most frequent target of dumping actions in other countries," said Congressman Bill Archer a Republican on the ways and means committee. "If the US resorts to using its laws in a protectionist manner, we can be sure that foreign governments will also adapt such practices and avoid meaningful reform of their anti-dumping laws," he said.

The CBO study said the evolution of the laws as a protection for US industry abrogated the original purpose of the law, which was to protect against predatory pricing. Ms Esserman said the CBO had it wrong, that the law was consistent with Gatt and provided a remedy to domestic industries injured by imports and sold "at less than fair value".

"The report appears to proceed from unstated theoretical premises hostile to the purposes of the trade laws and is myopic in its failure to consider the real world implications of its assumptions," she said.

Mr Bruce Turnbull, a trade lawyer who has carefully followed the implementing legislation, said initially the administration favoured US protectionists. Currently its position was less clear.

A number of export industries, including the steel-using manufacturers, have formed a Pro Trade Group, which this week called on the administration to "adhere to the market-opening thrust of the Gatt agreement in adopting fair proposals".

Battle lines emerge on derivatives law

By George Graham in Washington

Debate is intensifying over a US government study of derivatives trading that could play a central role in congressional deliberations on whether to impose tighter regulations on the sector.

The study by the General Accounting Office, the government audit agency, warned of gaps in the regulatory framework that threatened severe damage to the financial system, and recommended new legislation to bring federal oversight to unregulated subsidiaries of securities firms and insurance companies dealing in derivatives. These are sometimes complex financial instruments whose yields are tied to other securities or indices.

The International Swaps and Derivatives Association, a grouping of big dealers, attacked the GAO report as "good facts" but "bad conclusions".

"Anecdote, conjecture and surmise are not sufficient bases for imposing restrictions on an essential risk management tool," ISDA said last week.

The GAO has issued an unusual rebuttal of the ISDA document, challenging its criticisms and insisting its own recommendations, issued last month, would neither increase costs nor reduce the availability of derivatives.

Mr James Bothwell, GAO's director of financial institutions and market issues, challenged ISDA's view that derivatives raise little risk of "domino" failures through the linkages they create between separate financial markets.

"The potential for derivatives linkages to hasten the spread and expand the scope of problems during any financial system crises is a sound reason for federal oversight of derivatives," Mr Bothwell said in testimony to a House of Representatives subcommittee.

Congressman Edward Markey, the Massachusetts Democrat who has been one of the loudest voices calling for more regulation, has asked the GAO to expand its original survey by studying dealers' sales practices, to make sure they are selling only to customers able to understand the product's complexity.

Some express scepticism at the prospect of riding to the rescue of banks, multinational corporations and international fund managers, who are the largest customers, but concern remains over whether derivatives are being sold to relatively unsophisticated local government treasurers.

Senior congressional leaders do not share Mr Markey's haste, and have decided not to push for derivatives legislation this year. The Clinton administration continues to argue there is no immediate need to change the law.

"The Treasury has not concluded that other legislation concerning over-the-counter derivatives is necessary or appropriate at this time," said Ms Darcy Bradbury, deputy assistant secretary for federal finance at the Treasury.

Brazilian currency tensions increase

By Angus Foster in São Paulo

Tensions are rising in the Brazilian government ahead of the July 1 launch of the country's new currency, the real.

President Itamar Franco, a populist who has often opposed the orthodox economics of the finance ministry, is thought to support lower interest rates and improved wage levels, at least for some public sector employees.

However, the finance ministry believes relaxing policy on either front would threaten the government's anti-inflation plan, of which the new currency is the final step.

Mr Romildo Canhim, a minister with links to the military, is pushing to unify public-sector pay at a single, higher rate and for an extra 29 per cent army pay rise.

Both measures would benefit the armed services, but could cost between $5bn and $7bn a year. Such an increase would immediately send the government budget into deficit and undermine the credibility of the real.

In the past, some of President Franco's more wayward demands have been blocked by his advisers or the former finance minister, Mr Fernando Henrique Cardoso.

But Mr Cardoso's successor, Mr Rubens Ricupero, has so far seemed less prepared to stand up to the president.

For example, President Franco decided last week that private-sector school fees would be cut sharply when the new currency is introduced, even though such measures are unsustainable for more than a few months.

For the finance ministry, which is finalising details of introduction of the real, disagreement within the government and threats to the budget are very worrying.

The real, which will initially be pegged at parity to the US dollar, is to be backed by a portion of Brazil's $35bn foreign reserves.

Caracas bank closures under fire

By Joseph Mann and Stephen Fidler

The decision by the government of President Rafael Caldera to shut down eight troubled financial institutions provoked criticism in Venezuela yesterday, although it was viewed by some economists as the best way to stem a drain on the government's budget.

The Venezuelan banking council, which represents the private banks, sharply questioned the government's move and said its members had not been consulted.

In Congress, Deputy Gustavo Tarre, leader of the opposition Christian Democrat Copei Party, described the government's decision as "late", but agreed that official financial aid to the banks could not continue indefinitely.

Seven banks (Amazonas, Bancor, Barinas, Construccion, La Guaira, Metropolitano, and Maracaibo) and a finance house, Fiveca, were closed. They were controlled by some of the country's most prominent business families such as the Mendozas (Banco La Guaira), the DiMases (Banco Construccion) and the Brillembourgs (Banco Metropolitano).

The closing of the banks, which included the government takeover of more than 50 subsidiary financial companies, represented a heavy blow to the Venezuelan economy, already in the second year of an economic recession.

The move raised questions about whether there would be a further loss of confidence in the banking system, already damaged by the collapse of the second-largest bank, Banco Latino, at the start of the year.

The banking collapse has come at a time when the government has been trying to get its budget under control. The government has announced action – including accelerating privatisations – to bring down the budget deficit, which was running at a rate of 8-10 per cent of gross domestic product earlier this year.

The government has been helped by higher oil prices than forecast and the bolivar's devaluation – which raises the local currency revenues from oil sales abroad by the state oil company. But the bank crisis has cost the government dear: the estimated cost so far is estimated at $6bn (£4bn) – half of which has gone in financial assistance to the eight banks.

The administration finally decided the banks' losses were getting out of control and it had to stop the continued loss of official aid funds.

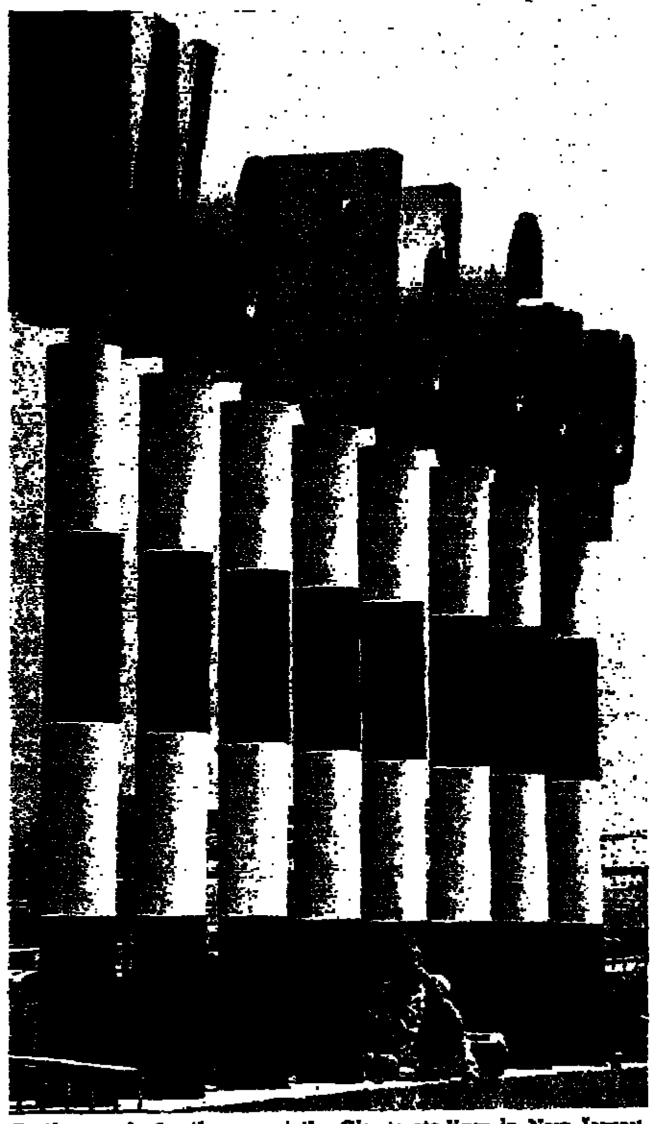
IDEA, an economic analysis company and the London School of Economics said yesterday the banks' closure does not mean the drain on public finances is over, since the government may decide to further reimburse depositors.

"Nonetheless, a one-off reimbursement of depositors is a far better situation than a continuing bleeding of public finances through attempts to bail out unprofitable banking concerns," they said.

The closure affects around 2m account holders in a nation of just over 20m, and an estimated 14 per cent of deposits at the country's 49 commercial banks. Calculating the true volume of deposits held is tricky, since many banks held large sums in offshore subsidiaries that did not appear on their balance sheets.

As of May 30, the government estimated their total losses at over $2.1bn, or around 30 times registered capital as of the end of 1993. Venezuelan officials said that the banks could reopen after a week or so to begin repaying depositors up to the equivalent of approximately $24,000.

However, the final disposition of these banks remains in doubt. Former owners have until June 29 to come up with cash to re-capitalise their banks and recover control. If this does not occur, the most likely option is liquidation.



Getting ready for the cup at the Giants stadium in New Jersey. Daily FT coverage of the World Cup starts tomorrow.

Sluggish growth in US industry output

By Michael Prowse in Washington

US industrial output grew sluggishly last month, reflecting the third consecutive monthly decline in car production, the Federal Reserve said yesterday.

In a separate report, the Labour Department published revised estimates yesterday showing that manufacturing productivity grew at an annual rate of 6.9 per cent in the first quarter, a better figure than expected.

US industrial production rose by 0.2 per cent last month and by 5.5 per cent in the year to May.

Coming after a revised increase in production of 0.1 per cent in April, the figures were seen as reinforcing other data pointing to a mild deceleration in the pace of US economic growth.

The weaker tone of recent statistics has helped create a more optimistic mood in the US bond market because the Federal Reserve is not expected to raise short-term rates in the near future unless growth or inflation shows greater buoyancy.

The overall factory operating rate dropped marginally from 83.6 per cent in April to 83.5 per cent.

The Federal Reserve closely monitors the operating rate, because it is seen as a leading indicator of upward pressure on inflation. The operating rate peaked at 83.9 per cent in June 1988.

The drop in industrial production reflected a dip in car output after a strong first quarter. Excluding cars, manufacturing output rose 0.5 per cent last month. Output of business equipment and construction supplies both rose 0.9 from April.

The growth of manufacturing productivity reflected strong efficiency gains in durable goods industries where output per hour rose at an annual rate of 8.5 per cent in the first quarter.

Productivity in non-durable goods rose at an annual rate of 4.4 per cent.

Overall productivity rose at an annual rate of 1.3 per cent, reflecting much slower gains in efficiency in service industries.

Robb easily wins Virginia primary

By George Graham

Senator Chuck Robb easily won the Democratic party's nomination to represent Virginia in the US Senate, picking up 58 per cent of the votes in Tuesday's primary election.

But November's general election will pit Mr Robb not only against Mr Oliver North, the controversial former marine nominated by Virginia Republicans, but also against two independent candidates.

Both Mr Douglas Wilder, a former Democratic governor, and Mr Marshall Coleman, a former Republican state attorney general, filed petitions with more than enough signatures to get their names on the ballot paper in November.

None of the candidates arouses much enthusiasm among Virginia voters. Mr Robb has been tarnished by his sexual exploits, while Mr North, who has admitted lying to Congress over his role in the Iran-Contra affair, has been denounced by Virginia's senior senator, Republican Senator John Warner.

A poll by Mason-Dixon last week showed all four candidates close together: Mr Robb first with 28 per cent, and Mr North last with 21 per cent.

Voter turnout is expected to be crucial to the final result, and to judge by Tuesday's primary, when fewer than 10 per cent of Virginia's registered voters took part, is likely to be low.

Mr Robb collected only 154,524 votes, which was barely a tenth of his score in his last election. He did, however, win nearly 70 per cent of the votes in the populous Washington suburbs of northern Virginia.

Senators will fight move to end Alaska oil export ban

By Jeremy Kahn in Washington

US senators are promising strong opposition to any attempt to lift the 20-year ban on Alaska North Slope oil exports when it comes up for renewal at the end of this month.

Senator Pat Murray of Washington state claimed yesterday "a broad coalition" of interests backed the current export prohibition, and most of her colleagues would vote to keep it in place.

Mr Howard Marlowe, director of the Coalition to Keep Alaska Oil, a lobbying group representing business, consumer and labour interests that has successfully fought off three attempts to kill the ban, said more than 60 senators had indicated they would vote to keep the export prohibitions.

The Department of Energy is working on a report, not yet released, but rumoured to offer economic evidence supporting abolition of the prohibition.

Alaskan North Slope oil accounts for nearly 25 per cent of the US's 6.6m barrels of daily output. At present, most of this oil is refined in California, but if the ban is lifted, it could be exported to Asia.

The ban was introduced in during the 1973 oil crisis to protect national oil supplies, but has since been embraced by environmentalists eager to protect Alaska from further oil development.

British Petroleum, the largest producer in Alaska and the company with the most to gain from the ban's removal, has persistently pressed for the lifting of the prohibitions.

There are indications that organised labour, formerly a big stumbling block to those fighting to lift the ban, is coming around to BP's side.

The seafarers' union, which supported the ban because Alaskan oil must be carried on US-flag ships when it is transported to another US state, has apparently reached a deal with BP. They will no longer oppose lifting the prohibition, in exchange for new legislation requiring that all Alaskan North Slope oil exports be carried on US-flagged vessels.

Part-purchase of island's telephone monopoly may be first in wave of investment

Mexico venture set to get Cuba on the line

Ted Bardacke on a foreign project that at first sight seems improbable

Foreign participation in the privatisation of the Cuban telephone system appears to be the most improbable of ventures. The country cannot receive remittances from its biggest long-distance market, the US. The local currency is not convertible. The telephone network, largely untouched since the 1959 communist revolution, is rapidly deteriorating. And the privatised company may be subject to compensation claims dating back to its nationalisation.

But Mexico's Grupo Domos, which will spend nearly $1.5bn over the next several years to purchase 49 per cent of Cuba's telephone monopoly, Emtel-Cuba, and to modernise the island's telecommunications infrastructure, believes it has structured the contract in a way that is "viable financially, politically, and legally".

If it is right, the move, by simultaneously improving business services and setting a precedent for long-term private investment in Cuba, could set off a wave of foreign investment in the country.

The big price tag for the company, which had some US telephone company executives gasping in disbelief, is not quite as large as it seems. Domos will pay out about $500m for its share in the company, as much as half of which is expected to come from a foreign partner with telecommunications technology that the British investment bank Rothschild believes it has lined up. Another $200m in long-term preferential-rate financing will be obtained in a swap deal liquidating the Cuban government's outstanding debt with Mexico.

The remaining $800m, half of which the Cuban government will have to put up, will be invested over a seven-year period in an ambitious modernisation programme. The plan calls for a three-fold expansion in the network's penetration to 1m working phone lines. As part of the arrangement, EmtelCuba has received a 55-year monopoly concession on local and long-distance service as well as data and image transmission.

Still, Domos's ability to recuperate its investment depends on two uncertain things: a change in US policy towards telephone communications with Cuba and the convertibility of the Cuban peso. Currently all transmission charges due to Cuba for telephone traffic between the island and the US go into an escrow account being held for potential legal claims against Cuba.

For this reason Cuba limits direct calls from the US to 300 a day and all other calls between the two countries get routed through third-party nations. However, while tightening the US blockage of Cuba in most other ways, a 1992 law authorises the US Federal Communications Commission to increase communications links between the two countries and the US Treasury to allow dollar payments to Cuba for telephone calls.

As a result of that change, WilTel International, a large long-distance carrier in the US, signed an agreement in March with EmtelCuba to build a fibre optic line from the tip of Florida to a point near Havana. The deal and the mechanism to remit payment to Cuba are awaiting White House approval, but the concept has been agreed to in principle, according to WilTel executives.

WilTel estimates that in 1991 60m call attempts were made from the US to Cuba and that, in the first year of liberalisation of telephone services, between 25m and 50m minutes of calls would be handled. EmtelCuba would be entitled to about 60 cents per minute plus a surcharge of about $3 per collect call made from Cuba to the US.

WilTel and Domos say a convertibility scheme for the Cuban peso has been worked out with the Cuban government, though they would not offer details.

The prospect of change in policies by a post-Castro government does not worry Domos. "A new Cuban government will not be more to the left than the current one. It will have to be more capitalist," says Pedro Sepulveda of Domos.

Domos also discounts the question of compensation claims, arguing that the infrastructure is practically worthless while no new investment could be subject to such a claim.

Yet others are not so confident. "If you buy anything Castro nationalised then you are buying into a potentially dangerous logic," says on telephone executive who has regular dealings with Cuba, "because by purchasing something from his government you are validating the right of confiscation. If it was OK for Castro to confiscate and then privatise, wouldn't it be OK for a new government to do the same thing?"

Claims by US citizens on property in Cuba, including EmtelCuba, are almost certain as part of any move by the US to lift the blockade, according to Jorge Dominguez, a Harvard professor at the Inter-American Dialogue in Washington.

Yet Prof Dominguez is optimistic the deal can work because Cuba needs to modernise its telephone system to bring its economy up to a functioning level. "This is very different from other private investments in Cuba ... because it is a long-term project, it will have an innumerable multiplier effect on the economy and shows the openness of the Cuban government to privatisation," he says.

British Gas warns on price formula

By David Lascelles, Resources Editor

British Gas warned yesterday that a new price formula for gas transportation charges would prevent it from increasing its dividend this year and could force it to curtail its £900m a year pipeline investment programme.

The formula, a key step in the liberalising gas supply, was announced by Ms Clare Spottiswoode, the director general of Ofgas, the industry regulator.

She is proposing that from next October BG be allowed to charge 14.16p per therm of gas that it transports through its pipeline. After that annual increases will be limited to the rate of inflation minus five percentage points. The proposal will have no immediate effect on gas prices paid by consumers, which are covered by a separate pricing formula. Gas transportation charges amount to half the cost of gas delivered to the home.

The formula will cover the transportation and storage arm which BG is having to set up as a separate unit, following last year's inquiry by the Monopolies and Mergers Commission. The unit will sell its services both to BG and independent gas suppliers who are being allowed into the market over the next three years.

Mr Cedric Brown, British Gas chief executive, said the formula was "very tough and would leave us with an even more difficult task to deliver an acceptable return to shareholders.

"Taken together with regulatory pressures on its gas business as a whole, it will be difficult for the company to justify any increase in dividends for 1994," he said.

British Gas shares fell sharply on the news, closing down 17p at 272p. However, analysts said that Mr Brown's dividend warning had the greater impact.

Mr Brown said BG was already being forced by the regulator to yield market share to new suppliers and was incurring heavy costs in hiving off the transportation network.

Ms Spottiswoode said she believed the formula struck a good balance between the interests of BG's shareholders and those of gas consumers.

She said that although the formula would only give BG a rate of return at the lower end of the 4 per cent to 4.5 per cent range recommended by the MMC, it allowed a higher return on new investment. This gave BG an incentive to invest in the pipeline system, she said.

The formula will run to March 1997, the deadline set by the government for full competition in gas supply. After that a longer term price regime would be put in place.

Mr Philip Rogerson, BG's finance director who is responsible for the new transportation unit, said the price controls would make it hard to justify the £900m annual investment which BG had budgeted for it.

The formula was also attacked by independent gas suppliers as too lenient. Mr Peter Bryant, vice-chairman of United Gas, said: "British Gas have got what it wanted". Under the formula BG would still earn £3.3bn in annual revenues, in line with the company's submissions to the regulator, he said.

The proposal is out for consultation until July 31.

Bank chief holds out prospect of higher rates

By Peter Norman

Mr Eddie George, governor of the Bank of England, last night held out the prospect of higher interest rates in Britain, although he left unclear when they would be necessary.

Addressing bankers and merchants at the Mansion House in the City, he said the present framework for UK monetary policy gave a better chance of achieving price stability in the medium term than at any time in his professional lifetime.

But the testing time for the structure put in place since sterling's departure from the European exchange rate mechanism in 1992 "will come – as it must inevitably come sooner or later – when we need to raise interest rates in order to moderate the pace of expansion and pre-empt the emergence of associated cost price pressures", he said.

Mr George said a rate rise might still be some way off, but hoped that "whenever it comes" it will "be regarded as a considered response to the underlying strength of the economy, and to the prospect of inflation in the medium term, and not as evidence of weakness, in simple knee-jerk reaction to the latest set of erratic economic data".

In remarks that appeared to prepare the ground for a preemptive rate rise, akin to those decided this year by the US Federal Reserve Board, Mr George said the Bank's purpose will be to maintain expansion "at a sustainable pace". It was "not to leave the tightening of policy so late that the economy is brought to a juddering halt by a much larger interest rise than would otherwise be needed."

Taking a swipe at some City commentators, he said the management of monetary policy could not be judged by how low interest rates could be pushed. "Nor is it a matter of snatching at what casual observers may see as 'windows of opportunity'. That lies at the root of short-termism in both finance and industry", he said.

Minister admits he acted in rail dispute

By Robert Taylor, Kevin Brown and Stewart Dalby

Mr John MacGregor, transport secretary, admitted yesterday he had intervened in the rail dispute to warn Railtrack management not to breach the government's public sector pay bill freeze.

Mr MacGregor's admission, which came as the rail network was paralysed by the 24-hour strike, followed the withdrawal earlier this week of a negotiating "proposal" by Railtrack to pay its signalling staff a 5.7 per cent rise.

He said he had told Railtrack, the new public sector company responsible for railway infrastructure, of "the general government position" on pay within the past few days.

Mr Frank Dobson, Labour's transport spokesman, said Mr MacGregor's comments showed the rail strike was "entirely the fault of the government and nobody else".

Although the rail network was at a virtual standstill yesterday, the road chaos that had been predicted failed to materialise as thousands of commuters stayed at home to enjoy the sunshine.

Negotiations are expected over the next few days to try to prevent a second 24-hour stoppage by the railway signal staff next Wednesday.

Both Mr Bob Horton, Railtrack chairman, and Mr Jimmy Knapp, general secretary of the RMT rail union, said they hoped talks could continue despite further public argument over who was to blame for the dispute.

Commuters wait for a train from Oxfordshire to London, one of the few services that ran trains yesterday Photograph: Colin Beere

City regulators urged to lead battle on crime

By Robert Rice, Legal Correspondent

City regulators must be put in the front line of the battle against "white-collar" crime to prevent further damage to London's standing as a financial centre, Lord Alexander QC, chairman of National Westminster Bank said yesterday.

The failure of recent high profile cases such as the second Guinness prosecution, the year-long Blue Arrow trial and the case against Mr Roger Levitt, had "given rise to a sceptical view about City trials".

"Over-complexity" lay at the heart of all the recent failed high-profile cases. The solution was to make City regulators "the principal judges of market abuse".

Lord Alexander said the UK should adopt the US practice whereby insider dealing could be dealt with both under the criminal law and as an "administrative offence".

"There is no doubt that it is easier to present a case simply to City regulators who have the background of market knowledge and such regulators can inevitably know more easily than a jury when specious expertise is being dragged in to obscure the truth," he said.

● London relies too much on its "history and ambience" in its efforts to maintain its position as a world financial centre, according to a report by the Institute for Metropolitan Studies, a research group, writes Vanessa Houlder.

The report, based on interviews with 40 senior executives of banks, insurance companies and other financial institutions, stressed London's strengths in attracting financial services companies, predominately because of its geographical position bridging Tokyo and New York, its language, which is accepted as the language of international financial business and English law, which is widely used for international banking contracts.

However: "The real risk is that London throws away its position by failing to recognise, nurture and sustain the many things that have made the metropolis one of the world's great financial centres on which our national prosperity depends," it says.

Red card for Spurs in player payments probe

Tottenham Hotspur, the leading English football club fined a record £600,000 this week by the Football Association, faces continuing investigations by the Premier League over an allegation that it made a large illicit payment to ease the transfer to the club from Nottingham Forest of England player Teddy Sheringham.

Tottenham said yesterday it was considering a possible appeal against the FA's ruling, made after allegations that the club made interest-free loans to players between 1985 and 1989 of more than £400,000 in contravention of FA rules.

Some of the players who received the loans – handed out immediately prior to their joining the club to induce them to sign – did not expect the cash to be repaid, according to a September 1992 report to the club from accountants Touche Ross, which has acted as Tottenham's tax advisers.

In its ruling, the FA also banned the club from the next season's FA Cup competition and deducted 12 points from its score for next season in the Premier League, opening up the possibility of relegation next year from the league to the Football League. Together with exclusion from the cup this could cost the club several million pounds in lost sponsorship and TV income, according to industry estimates.

Tottenham said yesterday it had settled an Inland Revenue claim made in 1993 that it owed at least £500,000 in tax. It added: "The payment made was well below that figure."

The Inland Revenue has recovered more than £10m in out of court settlements for unpaid tax from football clubs in investigations over the last few years, it emerged yesterday.

In recent years at least ten clubs have paid additional tax in response to the Inland Revenue investigations or after they have gone voluntarily to tax inspectors. A large number of other clubs are also under investigation by a special team of Revenue inspectors.

On the London stock market, Tottenham shares fell 17p to 63p soon after the market opening, but then rallied to close unchanged at 80p. The club said yesterday it would be taking advice on possible legal action against past employees and directors. It added it had been penalised after volunteering information to the FA about loans and payments made to players before Mr Alan Sugar, club chairman, took control in 1991.

"It is like finding a dead body in the attic, turning it over to the police and then being done for the crime yourself," the club said.

A report prepared by Touche Ross for the Spurs board last March shows the extent of the loans and ex gratia payments to players since 1985. They include Paul Gascoigne who received a £30,000 loan and a £70,000 ex-gratia payment, Paul Stewart who was lent £75,000, and goalkeeper Erik Thorstvedt who received a £50,000 loan. The sanctions against Tottenham come after years of allegations that top soccer clubs routinely make illicit payments to players and managers to facilitate the transfer of leading footballers.

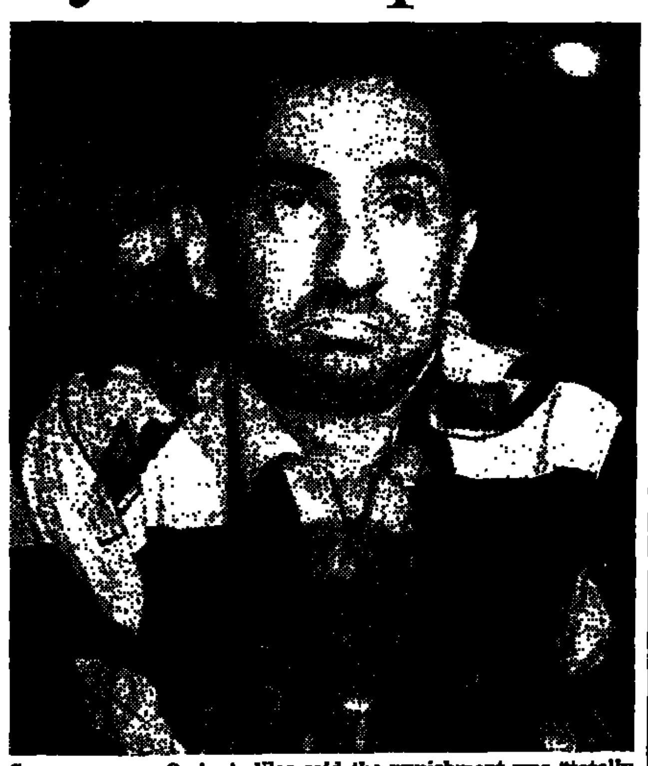
Mr Alex Fynn, a football author, said: "Payments which evade FA regulations are quite widespread. Clubs are in a cash-rich business and spend highly on wages and transfers because they are worried about failure."

An official at a top Premier League club said: "Hundreds of millions of pounds change hands every year in payments to managers and players which are strictly against the FA rules. It happens because I am afraid to say a lot of football managers are spivs."

The FA said: "We have heard many allegations about this kind of thing [illicit payments] but the evidence is lacking. We are not involved in any other investigations into other Premier League clubs."

Mr Sugar will announce this morning Tottenham's response to the FA's ruling.

"We have been considering all the options and do not want to rush a knee-jerk reaction," a spokesman said yesterday.



Spurs manager Ossie Ardiles said the punishment was "totally unjust and worse than being relegated" Photograph: Press Association

Football is braced for further revelations. William Lewis, Peter Marsh and Andrew Jack report

Britain in brief

'Ludicrous' Hualon aid attacked

The British government's decision to help Hualon, the Taiwanese textile group, to set up in Northern Ireland with £61m of public funds was attacked as "ludicrous" by the chief executive of one the UK's last independent yarn spinners yesterday at his company's annual meeting.

Mr Edmund Gartside, chairman and managing director of Shiloh, the Oldham-based textiles group, told the meeting: "[This] must go down as one of the most ludicrous decisions ever made by a British government in the long history of total mismanagement of textile trading policies."

"There is already over-capacity in the European market for the fabrics the plant is to produce and there is no identifiable market for the end product", he said.

The company led an anti-dumping action against imported yarn in 1987, but although it succeeded, four years passed before import duties were imposed in the UK. Mr Gartside said about 7,000 jobs were lost in the interim.

He told the meeting, to applause: "How any government can sit back, fail to support efficient UK textile plants, allow them to be closed down through unfair competition and at the same time throw £61m of taxpayers' money at a dubious project proposed by a foreign company of doubtful repute defies belief."

Heathrow focus "essential"

London's Heathrow airport must remain the focus of plans to expand runway capacity in the south-east of England, according to a report by the Chartered Institute of Transport.

The institute says it has found "major deficiencies" in a 1993 Department of Transport report which said that Heathrow, Gatwick, Stansted or Luton all offered worthwhile prospects for accommodating a new runway. In its own report, the institute insists the main airport for the south-east must be Heathrow because of its pre-eminent position and because of the international trend towards greater centralisation based on hub airports.

The report rejects the idea that total UK air traffic will be the same if runway capacity is provided at airports other than Heathrow. "We believe there is a strong probability that diversion to other European airports will result in substantial loss to the UK economy", say the report's authors.

Incentives to stop fishing

The government announced it would make £8.9m available this year for fishermen who want to leave the industry as part of a plan to reduce Britain's fishing capacity by 19 per cent by 1996.

The funding is the latest tranche of a £25m decommissioning programme which came into force last year.

The scheme had been put on ice after a High Court challenge by fishermen to controversial government plans which would limit the number of days they would be able spend at sea. Last year 135 vessels were taken out of business from a fleet of 11,000. This cut capacity by less than 5 per cent.

Fishermen were sceptical yesterday that decommissioning could achieve the capacity cuts required by the European Union without more funding. Mr George Traves, a trawler-owner in Bridlington, Yorkshire, said: "It's just not doing the job. We need at least £100m to take out the sort of capacity they're talking about."

Brand new

Ariel soap powder, produced by Procter & Gamble, was the consumer goods brand with the second largest retail sales last year, beating Unilever's Persil into third place for the first time since 1990.

The top-selling brand in 1993 was Coca-Cola, which clocked up sales in the UK of over £411m. Ariel's sales were £238m, just ahead of Persil's £236m. Advertising spending on Ariel last year was £22.3m, compared with Persil's £18.8m.

The two soap giants are battling over Unilever's recently launched Persil Power. Procter claims its rival's new product damages clothes – a claim vigorously contested by Unilever.

The fastest-growing brand with a 93 per cent increase in sales, was Patak's Indian Foods. Brand rankings are produced by Nielsen, the market research organisation.

Livingstone out

Mr Ken Livingstone, left-wing former leader of the Greater London Council, has withdrawn from Labour's leadership contest, admitting he had no hope of gaining the 34 nominations from MPs needed. He forecast that Mr Denzil Davies would also be "squeezed out".

That would leave three candidates: Mr Tony Blair – the favourite – Mrs Margaret Beckett and Mr John Prescott. Nominations close today.

Saatchi & Saatchi North America's new head has a tough task. **Richard Tomkins** meets Bill Muirhead

Wanted: team spirit

Muirhead believes in promoting from within "rather than the hired gun"

Ugly, yes. Embarrassing, certainly. But the widely reported feud between Maurice Saatchi, chairman of Saatchi & Saatchi, and Charlie Scott, the chief executive, is arguably just a sideshow compared with the advertising group's most pressing problem: its poor performance in the US.

Saatchi & Saatchi may be UK-based, but as a global advertising group, its most important market is the one where most of the world's biggest multi-national corporations are based - and that lies on the other side of the Atlantic.

Yet Saatchi & Saatchi Advertising, the parent company's biggest US agency, has been floundering. In spite of a buoyant US economy, it lost more business than it won last year. A 1.6 per cent decline in gross income sent it from number four to number seven position in *Advertising Age* magazine's league table of US agencies.

Worse, revenues are set to dip again this year after the loss of the important account for Helene Curtis hair care products at the end of 1993.

One man has already paid the price: Robert Kennedy, chief executive of Saatchi & Saatchi North America, who was forced to resign in January. Now, two more heads have rolled: those of Harvey Hoffenberg and Rich Pounder, respectively the chairman and vice-chairman of Saatchi & Saatchi Advertising's New York office, its biggest in North America.

So what is wrong with Saatchi in the US? Simple, says one rival: they just haven't been running the business properly. "The client relationships aren't good enough, the creative isn't good enough. It's what it always is: not doing it right. You lose business when you are not paying attention and you win business when you are."

Some industry observers go further, saying poor morale has been at the root of Saatchi & Saatchi Advertising's problems. One Wall Street analyst says Harvey Hoffenberg, the New York boss, was disliked by those who worked for him, though a Saatchi employee puts it less cruelly. "The trouble is, Harvey's not a very upbeat person, and in an agency, you've got to be upbeat and buzzy. That was really not happening here. People were kind of fearful."

In such a a people business, such an atmosphere would clearly be unhelpful. And as the agency repeatedly failed to win new business, morale declined even further. "The lifeblood of any advertising agency is new business, whether new business from existing clients or new business from clients outside, and we were just abysmal at getting it," says a Saatchi insider.

Meanwhile, Saatchi's US executives were doing little to endear themselves to an increasingly cost-conscious parent company with their unusually large salaries. Kennedy was getting $800,000 (£533,333) a year plus perks and bonuses, and Hoffenberg was hardly worse off with basic pay of $700,000 a year. "They were ridiculously overpaid – outrageously so," says a rival agency.

The new head of Saatchi & Saatchi North America is Bill Muirhead, a highly regarded Saatchi veteran who has been parachuted into New York from his previous job in London as head of Saatchi & Saatchi Europe. He acknowledges that morale has been low.

"The agency is really an amalgamation of two long-established American agencies, Dancer Fitzgerald Sample and Compton Communications," he says.

"When I arrived here I found a situation not dissimilar to the one I found at British Airways [a Saatchi & Saatchi client] when I started working on that in 1982.

"On the outside it was British Airways but on the inside it was still BOAC and BEA [BA's forerunners]. The two cultures had never been brought together."

At Saatchi & Saatchi Advertising, Muirhead says, the result is that people haven't been working as a team. "People have been split up: they've tended to work in isolation from each other. There's been no vision for the company, no real focus. Those are the things I've got to put right."

Muirhead believes one way of building team spirit is to promote from within "rather than the mercenary, hired gun thing" so that the people running the company have all grown up with it. He did that in London, he says.

"We will bring in some fresh blood as we go forward, but there are a lot of very good people here – probably a lot of people that are better than the people I had in London. It's just that they haven't been focused on the right things and haven't been properly motivated."

Muirhead seems to regard the London operation as a model for New York. "What we have there is a successful agency producing terrific work that is a fun place to be; so if we could replicate what we have there, that would be great."

That kind of talk has irritated some in the US advertising industry, who resent the implication that the British know better. Some Saatchi people in the US are also said to be unhappy about the "British invasion" of their ranks, represented not just by Muirhead's arrival in New York but by the appointment of several British people at Backer Spielvogel Bates, Saatchi & Saatchi's other US advertising agency.

Muirhead says this is nonsense: nationality is irrelevant. And anyway, he's Australian.

In any event, the people he has just appointed to become chief executive of the New York office and to sort out the creative department are both from other parts of the US operation – respectively, Michael Jeary, previously chief executive in San Francisco, and Stanley Becker, chief creative officer at Saatchi & Saatchi DFS/Pacific in Los Angeles.

The top executive of a rival agency says it clearly is not ideal that Muirhead comes from outside the US. "Putting UK-experienced people in there to sort things out is obviously more difficult than if you put a native in there. But Muirhead's a talented guy. If anybody can put it right, he can."

For Saatchi & Saatchi's sake, he had better be right. As Muirhead himself acknowledges: "More than 60 per cent of the world's multinational advertisers are based here, in North America. If we cannot expand here, then whatever we do in Europe will be irrelevant."

Roots versus lifestyle in a changing country

Joel Kibazo considers the nature and direction of advertising in the new South Africa

"I believe when you know what you're saying you don't have to shout."

Sales House's 'Man of Africa' was criticised as a throwback to apartheid

"Free at last, free at last, thank God almighty we are free at last," thundered a recent commercial on South African Television. It showed the flags and dates when various African countries gained independence, before arriving at South Africa in 1994. It closed with a black man in the speaker's chair in parliament with a voice quoting Martin Luther King's now famous phrase, also used by president Nelson Mandela in his victory speech.

The commercial was for Sales House, a clothes retail chain, and the campaign was by Ogilvy & Mather Rightford, the country's biggest agency. But far from being seen as a celebration of the new South Africa, the campaign was condemned by some leading figures in South Africa's advertising industry as a throwback to the days of apartheid.

Made in the spirit of "black consciousness" and "black pride", the advertisement followed on from two others in the series, one with a strident black "man of Africa" and another showing a confident and assertive "woman of Africa".

"Times may be changing but I regard these advertisements as white people pretending to understand the black African psyche," says Peter Vundla, a former employee of O&M and now managing director of Herdbuoys, South Africa's first black agency. "It's a romantic view that does not speak to us. They may be aimed at black shoppers but frankly we see them as a joke."

Controversy over the Sales House campaign reflects a wider debate on the nature and direction of advertising in the new South Africa. For years, the country's agencies concentrated on communicating with the white community which makes up around 14 per cent of the population.

Sophisticated campaigns for everything from cars to mass consumer products were mainly in English and Afrikaans. There was little to show a black population existed in the same country or indeed, that blacks were consumers. Those wishing to reach a cross section of the population generally ran separate campaigns: racial mixing in a commercial was rare.

Change began in the late 1970s, with a growing awareness and recognition of the rising black urban population and its increasing consumption of products once seen as the preserve of whites. The process was helped by pioneering multi-racial advertisements from South African Breweries in the 1980s and gathered pace with the political changes of the 1990s.

Today, there are those who argue that advertising, for so long dominated by one race, should move from being "Euro-centric", that is, made by and from a white person's point of view to "Afro-centric", taking on the values and perspective of the black South African.

Nearly 60 per cent of Sales House customers are black and O&M has been in charge of its campaigns since 1986. However, the more strident black pride campaign has only been running for three years.

Robyn Putter, creative director of O&M Rightford, has become identified with "Afro-centric" advertising. He says: "This is a campaign that people identify with. Black people do not need to apologise for who they are and we've tried to bring this out." He points to requests to run the same advertisements in the US as proof of the success in reaching black people.

But Reg Lascaris, managing director of Hunt Lascaris, which ran the successful ANC election campaign, counters: "Black consumers don't want to be seen as 'man of Africa'." He advocates the use of marketing bands, based on occupation and education. "What matters is a person's level of sophistication. Whether they are black or white does not matter. It did in the past, but not now."

Vundla suggests that understanding black people is the single most important factor for any agency in South Africa. "Nothing has changed. Most agencies here don't even have black people at senior level nor have people in them even ventured into a township. How can they claim they understand the black majority market and how to reach them?" he says.

Explaining his departure from O&M, he says: "I think this is where agencies like ours can make a difference. We know our people and how to communicate to them irrespective of economic level, yet we are not offering an inferior service. We use first world methodology to target what is, after all, a third world market."

PEOPLE

EEF decides on Mackenzie

The Engineering Employers Federation has appointed Graham Mackenzie director-general, finally drawing a line under the uncertainty prompted by the surprise departure of former dg Neil Johnson and the possible merger with the Confederation of British Industry.

Mackenzie, who was president of the EEF for two years to April, has been acting director-general since January. The new appointment takes effect from July 1.

Johnson left the EEF at the end of November, a few weeks after Mackenzie had quit as chief executive of UES Holdings, the Rotherham-based steel and forgings group. Since then, Mackenzie has been increasingly active at the EEF.

The organisation has known since February that it would need to appoint a new director-general, once it became clear that a plan to merge its central functions with the CBI had collapsed.

A more limited partnership based on a joint programme of alliance with the CBI's National Manufacturing Council will also not take place, although the EEF and CBI will continue to co-operate.

Mackenzie, 50, lacks some of Johnson's affability but is an effective and articulate communicator, and is keen to maintain and develop the EEF's profile.

Before joining UES in 1990, he worked for the TI Group from 1967 to 1989, joining as a graduate trainee and rising to become a main board director. Between 1981 and 1983, he was seconded by TI to the government's Central Policy Review Staff.

Non-executive directors

■ Brian Stacey, retired director of Avon Rubber, at PRECISION CUT RUBBER.
■ Alan Jones, a director of Great Gates Management and Laurel Commercial Properties, at UPTON & SOUTHERN HOLDINGS.
■ John Jessop at FERGUSON INTERNATIONAL; Alan Cole has resigned.
■ John Skae, retired company secretary of Midland Bank, at SKIPTON BUILDING SOCIETY.
■ Graeme Elliott, former vice-chairman of Slough Estates, Tim Razzall, a partner of Frere Cholmeley Bischoff, and Stuart McDonald, chairman of My Kinda Town and Windsor, as chairman at SPECIALITY SHOPS.
■ Brian McGillivray, chairman of Roselands Investments, at ANGLIAN GROUP.
■ Sir Christopher Harding has resigned from SLOUGH ESTATES.
■ John Clay has resigned from TRADE INDEMNITY GROUP.
■ Peter Ainsworth MP at GARTMORE SHARED EQUITY TRUST.
■ David Sykes, formerly senior partner of Eversheds Hepworth & Chadwick, and Donald McFarlane, former chairman of Senior Engineering, at READICUT INTERNATIONAL.
■ Maxwell Packe (below), founder director of Household Mortgage Corporation, at CRESTACARE.

Pressure of work forces non-executive directors to resign

Proof that Brian Walsh's new job as vice chairman of TI Group is more than a cosmetic change of title. Walsh, who joined from GKN as TI's finance director in May 1993, is shedding his only non-executive directorship following last week's reshuffle at TI.

Walsh, 50, is resigning after less than two years on the board of the Cookson Group. Although Cookson's board only meets eight or nine times a year Walsh feels that he no longer has time to do the job properly given his new responsibilities at TI where he has assumed responsibility for the operations of the group hq.

He joined the Cookson board when he was still at GKN and where he had been doing the finance director's job for several years. "My calendar is always pretty full," says Walsh, who expects it to get even busier now that he is being called to represent the company as vice-chairman. Walsh chairs Cookson's audit committee and has just returned from a four-day board trip around Cookson's US operations.

He reckons that he spends at least three days a month on Cookson business. It is understood that Cookson's non-executive directors get paid between £15,000 and £20,000 a year for their services.

Walsh's decision to resign his only outside directorship at a time when many executives are being encouraged to take on such jobs will add to speculation that he is emerging as a serious contender as a future chief executive of TI.

■ In a similar move, John Sadler, who has recently become chairman of Pearl Group, has decided that because time is limited, he should resign as non-executive chairman of the Alexon Group after the agm next Monday.

He will be succeeded by Patrick Cooper, already on the board; Michael Adams, a non-executive director of Allders, also joins the board.

'General' Goehtz off to NatWest

National Westminster Bank has captured Hans Goehtz, one of Deutsche Bank's 15 "generals" and head of its global foreign exchange, money markets and precious metals division since 1990. At NatWest Markets he will be responsible for all continental European treasury activities.

As a "Direktor mit Generalvollmacht", Goehtz was just one rung below Deutsche's hallowed "Vorstand" or management board and stood a fair chance of being a candidate if a board vacancy arose.

However, rumour has it that Goehtz, 45, decided to look elsewhere when it became clear that another "general", Bernd-Albrecht von Maltzan, the head of Deutsche's securities sales and trading, was likely to gain the upper hand when their two trading areas were consolidated into one large group. Maltzan took up his position last year when Barthold von Ribbentrop left to set up an investment fund.

Based in Frankfurt, Goehtz will develop NatWest's local capacity as well as oversee the large dealing volume which flows into London from the dealing rooms in Madrid, Milan and Frankfurt. He will report to Paul Winchester, regional director for UK and European treasury.

■ Chairmen are changing at the top of Scotland's biggest investment trust. Ivor Guild, 70, a Scottish solicitor who has chaired the 105-year-old Edinburgh Investment Trust for 20 years, retires this month and hands over to the Earl of Eglinton and Winton.

Old Etonian Archie Eglinton, 54, whose family motto is "we take care", started his City career with stockbrokers Grieveson Grant before moving to Gerrard & National, a City discount house, where he was a director for over 20 years.

He retired last year but remains chairman of Gerrard & National's stockbroking subsidiary Gerrard Vivian Gray. He is a director of several other trusts in the Dunedin Fund Managers stable and is also a director of DFM Holdings, which is parent of Dunedin Fund Managers and one of the biggest investments in Edinburgh Investment Trust's portfolio.

Peter Dunn, 70, and Lord Nickson, 64, are retiring after the agm on June 29.

TECHNOLOGY

Handy development: shoppers use a hand-held scanner to register prices at an Albert Heijn supermarket

The end of the queue

Automated supermarket checkouts will cut waiting time, writes **Della Bradshaw** in a series on electronic retailing

After steering a packed shopping trolley along busy supermarket aisles on a Saturday afternoon, there is yet a greater hurdle to overcome: the wait at the checkout counter. Mindful of such irritation, supermarket bosses are now considering how to cut the queues using self-service checkout counters and automated trolleys.

John Hollis, partner at Andersen Consulting, believes it is the push for better customer service and the need to beat the competition that is driving such innovations. "Anyone starting up now would use this kind of technology," he says.

Chris Hughes, managing director of the UK's Retail Automation Consultancy, is more sceptical: "The main advantage to retailers is that it will cut down labour costs."

In the Netherlands, in the Geldermaisen store of Albert Heijn, the largest Dutch supermarket chain, shoppers are now using a hand-held scanner which they attach to their trolley as they enter the store. Customers electronically read the bar-codes on their choice of goods using a scanning gun. Once shopping is complete, a bill is automatically printed out which the customer takes to the cashier in order to pay.

Although self-scanning involves extra work for customers, it does mean they can check the price of each item as it goes in the trolley and keep a running total of how much they are spending. It also eliminates the need to unload the items on to the conveyor belt and then put them back into the trolley at the checkout.

Elsewhere, much of the research effort has gone into automating the conveyor belt at the checkout so that customers scan their own goods. Retailers in Scandinavia and the US have been the most eager to install these. But they could become common throughout Europe within the next five years, particularly for scanning small numbers of items, such as sandwiches at lunchtime. "I have difficulty in seeing someone scan 120 different items from the monthly shop," says Terry Fielding, managing director of the UK's Chiltern Retail Systems.

The basic principle of these checkouts is that the customer passes the goods over the glass plate in the conveyor belt, a job usually done by the cashier. Once the task is finished, the customer goes to the cashier to pay.

In the US, various derivations of the basic system have been tested, says Geoff Beckett, director of business development at Uniquest, supplier of software systems and services. In the Uniquest check-out, the scanned goods travel through an archway where they are measured and weighed. If the weight and shape tally with the information from the scanned bar-codes, the item travels on; otherwise, it is rejected.

Uniquest has gone further by building in swipe card facilities so that goods can be paid for electronically. But the popularity of discount coupons in US stores complicated the process and this scheme has largely been abandoned.

Contrary to expectations, the self-scanning check-outs have proved particularly popular in the US with elderly people. "They are convinced that the cashiers fiddle them. Also they can take their time and can keep a continuous check on how much they are spending by looking at the sub-total," says Beckett.

The popularity of self-scanning checkouts will vary according to the location and culture of the store, believes John Polidore, director of front-end operations for Pathmark Supermarkets. It has installed Uniquest checkout systems in seven of its 150 US stores and plans to introduce a further two as part of its trial phase.

In some cases customers are eager to scan their own goods, in others they want someone else to bag the goods and lift them on and off the conveyor belt.

However, no Pathmark store will be equipped entirely with Uniquest systems, says Polidore. "We would like our customers to choose. We see this firstly as a customer service issue. If the customer likes to use it they'll come to us. It will increase our customers." A second advantage is that the self-scanning system deals more effectively than traditional checkouts with any sudden rush of customers.

The potential for higher levels of shop-lifting is still seen as an important disadvantage of self-scanning systems

Innovation is continuous. The latest self-service checkouts incorporate scanners that can read the bar-code through 360°, so that customers can place the goods in a random fashion on the belt. In a development from German manufacturer Potrafke, the goods travel on a belt through a transparent acrylic tunnel where the bar-codes are read.

The advantage to the customer, says Gerald McLucas, managing director of Potrafke in the UK, is the speed with which the goods are scanned. The advantage to the retailer is that they get "two cashiers for the price of one". Because the goods scanned have to pass through the tunnel, the system also helps to prevent shop-lifting.

The potential for higher levels of shop-lifting is still seen as an important disadvantage of self-scanning systems. But the emphasis on security varies from country to country, says William Wood-Robertson, marketing manager with German manufacturer ADS Anker. "The Americans are enthusiastic about the technology even though they have a relatively high crime rate."

John Pellaumail, director of custom products for the international arm of Symbol Technologies of the US, which developed the Albert Heijn system in conjunction with the retailer and the TNO Product Centre, in Delft, believes there is still a "psychological barrier to stealing".

At Albert Heijn, customer trolleys are randomly checked to ensure that contents match the items listed on the bill. To make customers aware of the checks, they have to join a "club" before using the scanners and agree to the terms.

The club system could have further inherent benefits. "Because customers have to be pre-registered members of the club, this could be used by retailers to build customer loyalty schemes," says Hughes. He believes the membership cards issued could become the retailers' equivalent of a "gold" card.

The overriding feature of all of today's systems is that each bar-code has to be read separately. "In 15 years' time, there probably won't be any checkouts," says Fielding. "If bar-codes could be read electronically, you could swipe a bank card at the beginning, push the filled trolley through a loop and your bank account would automatically be debited."

Earlier this year, the South African Council for Scientific and Industrial Research in conjunction with the British Technology Group announced that it had developed Supertag, where each item of shopping would be labelled with a tag emitting a radio signal. Once the customer finishes shopping, the trolley is pushed through a gate – similar to the X-ray machine at an airport – which "reads" each signal. All the items in a full trolley of shopping could be individually identified in seconds.

Today the high price of the tags – about 60p each – precludes their use on packets of tea or tins of baked beans. But, says Peter Hawkes, assistant director of electronics at BTG, within the next two years, the tags could be used to secure high value items such as leather jackets.

He believes that as more applications for the Supertag emerge, and costs drop, the technology will appear in food stores, starting with discount warehouses, "where they can tag the whole carton, not just the can".

Even more revolutionary would be for customers to sit in front of a computer terminal in the supermarket coffee shop and select packaged goods by pointing to pictures on the screen. The customer would pay the cashier and drive round to the delivery point to have the goods loaded into the car – bypassing the trolley and check-out belt altogether.

As Hollis points out, revolutionary though the concept sounds, "the technology for this sort of system is already here".

Simple idea, big savings

Michael Dempsey on the success of EMC's electronic filing cabinets

The mother of an executive with EMC, the US data storage company, has problems understanding what her son's company does. He explains the \$782m (£521m) turnover operation succinctly. "We make electronic filing cabinets." At \$4.1m a throw, this is a gross simplification. But EMC's rise to eminence in a \$5bn market still largely an IBM fief owes much to simple ideas.

Disk arrays are the storage component of mainframe computer systems. Traditionally, the information these large machines handle has been held on disks resembling long-playing records. EMC moved to smaller 5.25-inch disks similar to the hard disk inside a personal computer. This meant a massive reduction in space, and hence the heat generated by the storage system. Ventilation bills plummeted.

EMC's latest top-of-the-range model stores one terabyte (1,000 gigabytes) of information – the equivalent of 40,000 four-drawer filing cabinets or 10,000 standard desktop PCs. In the previous generation of disk systems, a terabyte took up 400 sq ft. The IBM disk storage system holding this much data occupies as much space as a two-car garage. The EMC model, looking like a three-door wardrobe filled with shelves of computer disks, occupies 17 sq ft.

Mike Ruettgers, head of EMC since 1989, claims that a US customer switching to EMC from IBM will save \$1m over five years in maintenance, cooling, power and floor space.

In the UK, the information technology arm of British Steel, CMS, has replaced its IBM data storage products with four EMC units. The last EMC unit cost £300,000, but is expected to save CMS £112,000 in electricity and air conditioning bills over the next four years.

Ruettgers was hired at a time of crisis for EMC. In 1988, components from a Japanese supplier started failing. Ruettgers bought in fault-free disk drives from IBM and installed them free. Despite a \$100m bill for replacing disk drives, Ruettgers claims most customers stuck with EMC. The experience left EMC with a paranoid regard for quality control and testing. Each disk array is now tested for up to 24 days.

While IBM remains a fierce rival, with 52 per cent of the mainframe storage market, other large computer concerns buy in products from EMC. Bull of France and Unisys of the US both resell EMC disk arrays in tandem with their systems.

IBM argues that until now, smaller disk systems have lacked reliability. While one failure every 15,000 hours might have been tolerable on PCs five years ago, it would not do for dozens of disks running simultaneously 24 hours a day. Now, IBM is poised to launch a data storage machine running 3.5-inch disks, beating EMC at its own game and gunning for its smaller rival on price.

Ruettgers thinks EMC can stay ahead by remembering the customer's primary concern. The enormous data-processing needs of banks and airlines generate unwelcome bills in support services. Swissair and Direct Line insurance of the UK are customers. EMC knows its target – "70 per cent of dp [data processing] dollar is maintenance and enhancement," says Ruettgers, who previously worked in the US missile industry.

Market analysts predict nine-fold growth in large data storage capacity by the end of the decade. Although small, powerful workstations have taken over many of the mainframe's functions, the information storage needs of service industries mean vast archives of digital data must be kept somewhere.

Squeezing more data into less space for a lower cost is the perpetual rallying cry of the IT industry. EMC knows its doubling of turnover between 1992 and 1994 cannot be maintained, but the demand for economical mass storage is there in abundance.

Cinema/Nigel Andrews

Cadenzas of eccentricity

Here is your culture question for the week. What do Hannibal Lecter and the Voyager spacecrafts have in common?

Correct: Canadian pianist Glenn Gould. His classical recordings, as well as being sent into space by NASA in 1977 as a greeting gift to other life-systems, were included by Dr Lecter as part of his consultancy fee when helping the FBI with their serial murder enquiries.

Now François Girod's wonderful, absurd, rhapsodic *32 Short Films About Glenn Gould*, actually one 90-minute-long feature structured (vaguely) after the Goldberg Variations, continues the posthumous deification of the bizarre ivory-pounder. Gould, as you know, was born in Toronto in 1932; became a public prodigy at age 12; withdrew from the concert platform in 1964; and spent his last 18 years (death, 1982) battling hypochondria and perfecting his music in the secrecy of a recording studio.

32 SHORT FILMS ABOUT GLENN GOULD (U)
François Girod

LOST IN YONKERS (PG)
Martha Coolidge

ANGIE (PG)
Martha Coolidge

REALITY BITES (12)
Ben Stiller

The film turns him into a mixture of – well, Hannibal Lecter and the Voyager spacecraft. Now he soars; now he snarls and smoulders behind the bars of his own genius. The film is a parade of short-to-tiny vignettes: childhood memories, mock-up interviews with the actor playing Gould (Colm Feore, a young Depardieu lookalike), scenes of chaos in the recording studio, and burblings of Gould philosophy including his famous "Vertical panculturalism."

The movie has the wit of Peter Greenaway's early nonfiction films (*A Walk Through H*, *The Falls*) combined with an inspired cod-seriousness. We know we are in Irony Heaven from the early glimpse of Gould's parents – Mum tidying house, Dad holding an armful of logs – as they pause in wonder by the open door to Sonny's room, from which Wagner's *Tristan* washes forth like a tide.

The entire biopic tradition has its ontogeny-of-a-genius lunacy skewered here. Then things get better. Through voice-off narration and dramatised cameos, we watch the grown-up Gould practise the increasingly fiendish cadenzas of his own eccentricity.

In one scene he holds hostage a hotel chambermaid while playing her his records. In another, two recording technicians discuss, with earnest triviality, the evils of cream in coffee while the soundless Gould mimes berserkly to playback behind the studio glass. (The two worlds of mind and matter wittily collided.) And briefly too, Yehudi Menuhin and Gould's cousin Jessie appear to probe or pixilate the legend.

Devoid of solemnity yet never shallow, the film delivers a portrait in the round – or at least the polygonal – that renders most other art documentaries obsolete. Pure gold; and quite possibly pure Gould.

★

I identify strongly with the title of *Lost In Yonkers*, based on Neil Simon's latest play. Simon's recent work has reached that prolix and dangerous state – uncritical mass – when it seems that any combination of notionally surefire ingredients, however amorphous, will do. They include: Brooklyn growing-up anecdotes; wistful Jewish jokes; play-off between mad grown-ups and bright-eyed kids; and one plump juicy role (in the screen version at least) for either Richard Dreyfuss or Anne Bancroft.

Here we get Dreyfuss. He plays the gangster son of German-immigrant Gorgon Irene Worth, who terrorises her visiting grandsons and her emotionally backward daughter (Mercedes Ruehl). It is all about as funny as *King Lear* performed in a broom cupboard by a group of over eager drama students: which may explain why the play won a Pulitzer Prize. Martha Coolidge directs.

She also directs, more noticeably, *Angie*. If I precis'd the plot of this comedy-with-tears, you would suppose that it was part of the Great Feminist Conspiracy. We have a Brooklyn-Italian heroine (Geena Davis) betrayed or disappointed by the men in her life (lumpy working-class fiancé James Gandolfini, perfidious Irish lover Stephen Rea). And we are forced-marched through such girl's-dorm secrets as vibrators, pregnancy tests, menstrual minutiae; not to mention jokes about nuns and penises shared in the women's washroom at work.

This all happens in the first four acts of Todd Graff's script based on a novel by Avra Wing; and they are exhilarating. Far from feeling stunned by falling freemasonry, we are amazed that in the boy's club of world cinema these matters still *are* such secrets. Geena Davis, with her voluptuous reed-tall figure, scatty charm and baby-face sex appeal, should surely vanquish any last flicker of male chauvinist resistance in any audience.

Then, alas, we get the fifth act. Here portentousness takes over, as if the Hollywood Cliché Patriarchy has decided that enough is enough in the fresh ideas division. A long-lost mother (schizophrenic); a dash for reconciliation with father and stepmother; and a piano upended over the soundtrack to accompany the post-natal heroine's cooing valediction, "I'm finally part of something bigger than me."

More love and wistfulness in *Reality Bites*. This bills itself as "a comedy about love in the 90s". But I live in this decade and do not recognise any of these people. Not the camcorder-wielding kook with the million-dollar complexion and dreams of being a great documentarist (Winona Ryder); nor the bearded boy she loves (Ethan Hawke) with the poetic temperament and death-defying vocabulary; nor the well-meaning, white-collar, cardboardy rival, played by the film's director Ben Stiller...

Are we sure that Stiller and writer Helen Childress do not have their digits upside-down and mean the 60s? For a while the dialogue is brisk enough to carry us over the bumps in the film's sense of *zeitgeist*. "I guess I'm a non-practising Jew," says the whizz-kid, to which Ryder trills back, "Hey, I'm a non-practising virgin."

But then no one real talks in aphorisms *all* the time. And surely a film whose moral hobby-horse is the dangers of selling out – our heroine's epic home video is bought by a TV network which turns it into a snappy Pizza Hut commercial – should have gone easier on the product placing. We have never seen so many drink cans and bottles waved about with their labels aimed at the camera lens.

Finally, idiot's corner. *The Chase* (15, director Adam Rifkin) is a comedy/road movie that we recommend only to fully-qualified simpletons. Robber Charlie Sheen eludes the law over many tyre-burning miles, during which he destroys pursuing cop cars and makes love, while driving, to his beautiful hostage Kristy Swanson. Do not try this in your own car, even during the long hours of a rail strike.

Hercules Returns (15, David Parker) is better. A skimpy framing plot about three Sydney friends re-opening a derelict cinema is the excuse for a riotous film-within-a-film. Their gala opening movie is a (real) 1960s Italian Hercules epic, dubbed on the wing by the Aussie threesome much as Woody Allen ventriloquised *What's Up Tiger Lily*. Warm to the bodybuilder stars sounding like a group of goosed Julian Clarys, and to moments like that in which the sacred red smoke billows forth from the Delphic shrine: "Jesus, the Ribena looks a bit hot."

Inspired cod-seriousness: Colm Feore as the genius pianist in '32 Short Films About Glenn Gould'

Ballet

Alston at Aldeburgh

The concert hall stage at The Maltings, Snape, is a fine space hitherto unused for dance. Broad, deep, uncompromising in its bare brick walls, it has just seen the emergence of a re-born London Contemporary Dance Theatre under the direction of Richard Alston. Admirers of the company, and of Alston, will be glad to know that the dancers are on tremendous form and that Alston has baptised them, as he has the Maltings *in nomine Terpsichores*, with three serious recent pieces, which I saw on Monday.

LCDT's ensemble is slimmed down to 12 dancers – most of its major artists are still there – and Alston has responded bravely to their gifts, and to the possibilities of the stage. Britten, given the Aldeburgh festival context, was an obvious choice for music, and this year's featured composer, Stravinsky, has provided the other score. So, the opening *Three movements from Petrushka* for piano, and Alston's intriguing gloss on Fokine.

The piano is centre stage. Rolf Hind's bold account (rich sonorities; taut rhythms) of this devilish transcription is matched by Darshan Singh Bhuller's impersonation of the puppet. In an odd fashion we seem to watch two Petrushkas, so intense the relationship between transcendental pianism and the ferocious demands Alston makes of Bhuller. (At a couple of moments, Bhuller stands watching Hind, as if contemplating an alter ego.)

Four couples – white shirts; black trousers – are the Butterweek revellers, their movements hinting at Fokine's folk dances as they circle the stage and the piano which acquires a strongly dramatic presence. But the piece is Bhuller's and he shows a brutalised and somehow noble figure, in dancing that covers a range of dynamics from silkiest phrases to fierce anguish. It is a superb display of expressive virtuosity.

In *Sad Eyes*, Alston has linked two Britten scores. The *Prelude and fugue*, Op 29, written for Boyd Neel, is used for plotless, open-hearted dances for four couples. The movement is fresh, broad-spanning, unclouded. (Pleasure in viewing it will increase when the mock-Indian outfits look less like uniforms.) Then, with the *Lacrymae* Op. 48, for viola and orchestra, inspired by a Dowland song, the mood changes as eyes sadden, seeking the rest that Dowland's text urges.

The dancing couples are unhappy lovers, and at the last Alston allows them that repose which is the acceptance of suffering. The choreography is emotional, dense, subtly varied, and though I think the score a fraction too long, the dance is shaped and performed beautifully.

The final piece was *Rumours, Visions*, which is *Les Illuminations* (Britten's setting of Rimbaud) staged with brilliant economy of means. The excellent lighting, and gauzy back drop used throughout the evening, was by Peter Mumford. Costuming, ideally allusive in this last piece, was by Belinda Ackerman. Alston conflates Rimbaud's poetic imagery and his fraught relationship with Verlaine. Friedrich Gehrig has the right mixture of vulnerability and wildness for Rimbaud; Kenneth Tharp's Verlaine is brooding, watchful. Around them Alston cunningly sets the strange mob of Rimbaud's dreamings, that wild parade which is announced in the first song.

Among the several merits of the staging is the fact that it allows our imaginations to follow those of Britten and Rimbaud: Alston's dances are hints rather than statements. The drawback to the performance lay in an orchestral imbalance: after the invocation "J'ai seul la clef de cette parade sauvage", I heard not one word of Gunnar Gudbjornsson's account of the tenor role. The score, from the Britten Sinfonia under Nicholas Cleobury, was otherwise excellent, as were the interpretations of the *Sad Eyes* music.

Clement Crisp

A high risk policy at the Zurich Opera House

As Franz Welser-Möst prepares to leave the London Philharmonic Orchestra for Switzerland, ***Andrew Clark*** *considers the controversial approach of director Alexander Pereira*

The headlines said it all. "The world's hardest-working musical theatre", trumpeted one Zurich newspaper. "Operatic recipe for success", exclaimed another. What prompted the applause was a recent announcement that the Zurich Opera House would stage no less than 13 new productions and 21 revivals next season. At the best of times, most companies notch up only half that number.

While theatres in France and Germany curtail activities because of the recession, Zurich has increased its workload. And instead of playing safe with box-office favourites, it is hauling out of obscurity operas only Wexford Festival devotees are likely to have heard. Mascagni's *L'amico Fritz*, Giordano's *La cena delle beffe*, Donizetti's *Linda di Chamounix*, Schubert's *Des Teufels Lustschloss* – all will join the Zurich repertory in coming months.

Alexander Pereira, the Opera House director, admits it is a high-risk policy. He believes he can pull it off by engaging big-name singers and balancing the rarities with frequent revivals of *Carmen*, *Tosca* and *Don Giovanni*. "If the mixture is right, people will come," says Pereira. "A theatre has to bring out new things – otherwise it stagnates. As long as you give the impression you're trying to do it well, the public will remain inquisitive."

Zurich's operatic image has changed since Pereira arrived from Vienna three years ago. He inherited a company with a deficit, low morale and declining popularity. Today it is solvent and the talk of the town. Drawing on experience from his earlier career with Olivetti and Vienna's Konzerthaus, Pereira launched a high-profile marketing campaign. He brought in trendy directors and pandered to the thirst for stars. He laid on special projects for Nikolaus Harnoncourt, Edita Gruberova and other Zurich regulars. He persuaded ageing divas like Grace Bumbry to tackle new or unusual roles, helping them to prolong their careers. And yesterday, amid much fanfare, he announced the appointment of Franz Welser-Möst as chief conducter, starting in 1995.

Supported by a mixture of Viennese charm and hard-sell, Pereira's policies seem to have worked. Box-office takings have doubled, partly due to an increase in higher-category seat-prices. Sponsorship has rocketed, with banks and wealthy individuals queueing to hand over SFr300,000 (£140,000) for each new production. Going to the opera in Zurich has become the chic thing to do.

Pereira says that theatres in continental Europe can no longer expect a steady rise in subsidy; they must generate cash themselves. "In the five years before I came, box-office income remained the same, but costs were always rising. If you carry on like that, you'll wake up one day to find the house has gone – as some theatres in Germany are now discovering. If we want to keep the things of value in our life, we have to do more to sustain them. Saving money by cutting activities leads nowhere. You have to invest in your theatre – you must make it so attractive that people cannot stay away."

Such talk does not hide the fact that Pereira is taking an enormous gamble. With *Fedora* and *Andrea Chénier* already in the repertory, does the Zurich public really want to see a third Giordano opera? Will audiences flock to *Linda di Chamounix* if Gruberova cancels? Is there room in one season for two new productions by the idiosyncratic east German director, Ruth Berghaus?

There are already signs that the novelty appeal of Pereira's programme may be wearing off. Two months ago, a well-cast new production of Cilea's rarely-played *Adriana Lecouvreur* drew disappointing houses. Subscribers – 10,000 of whom buy their tickets before the start of each season – have complained they do not always get the promised stars for which they paid so handsomely. Members of the ensemble say the rapid turnover of new productions leaves no time to recharge creative batteries. Some are already questioning the wisdom of Welser-Möst's appointment: he has little operatic experience and an unimpressive record as chief conductor of the London Philharmonic.

Critics have accused Pereira of downplaying the achievements of his predecessors, from whom he inherited a stock of easy-to-revive mainstream productions. Apart from Henze's *Der Prinz von Homburg*, in a staging borrowed from Munich, there has been nothing this season to match the pinnacles of the 1980s. Francisco Araiza made a puny Chénier, *Alcina* was undercast and *La belle Hélène* revealed the Viennese actor-director Helmut Lohner as an operatic ingénue. There has been a preponderance of Italian repertoire and a dearth of 20th century works.

"Pereira only likes the pieces he can sing along with", comments a senior member of the ensemble rather unkindly. "But he's a professional manager, he's clever, he knows how to get the money. That is what's needed today. His predecessors may have had better artistic judgment. Pereira knows how to sell himself."

INTERNATIONAL ARTS GUIDE

■ BARCELONA

Edita Gruberova and Alfredo Kraus sing in Lucia di Lammermoor at Palau Sant'Jordi on June 28, July 2, 6 and 10 (318 9122)

■ FLORENCE

MAGGIO MUSICALE
The final performances of Bob Wilson's new Japanese double-bill, with music by Marcello Panni and Jo Kondo, are tonight and Mon at Teatro della Pergola, with cast headed by Dunja Vejzovic and Elise Ross. MaggioDanza presents choreographies by Paul Taylor, Paco Decina and Antony Tudor tonight, tomorrow and Sat at Teatro Communale. Tomorrow at Teatro della Pergola, the Italian premiere of Henze's Requiem. Giuseppe Sinopoli conducts the Dresden Staatskapelle at the Teatro Communale next Wed in Strauss and Bruckner. (055-277 9236)

■ GENOA

Teatro Carlo Felice Leoncavallo's operetta La reginetta delle rose runs till June 28 in a production conducted by Gianandrea Gavazzeni and staged by Filippo Crivelli, with cast headed by Denia Gavazzeni Mazzola and Luca Canonici. The next performances are tonight and Sun afternoon (010-589329)

■ LONDON

THEATRE

● Sweet Bird of Youth: Richard Eyre directs the National's new production of Tennessee Williams' 1959 drama about a Hollywood drifter who returns to his hometown to encounter the vengeful father of a girl he once seduced. Cast includes Clare Higgins and Richard Pasco. Opens tonight in the Lyttelton (National 071-928 2252)

● Home: Paul Eddington and Richard Briers head the cast in a revival of David Storey's 1970 play, directed by David Leveaux. Four elderly people chat together in a sunny garden which is only gradually revealed as a lunatic asylum. Now in previews, opens on Tues (Wyndham's 071-369 1736)

● Glencarry Glen Ross: Sam Mendes directs David Mamet's 1983 all-male classic about real-estate salesmen whose insecure egos thrive or perish in the claustrophobic atmosphere of a downtown office. Previews start tonight, opens next Wed (Donmar Warehouse 071-867 1150)

● The Cryptogram: world premiere of David Mamet's new play about the relationship between a woman, her child and a male visitor. Stand-up comedian Eddie Izzard makes his serious acting debut alongside Lindsay Duncan. Now in previews, opens June 29 (Ambassadors 071-836 6111)

● The Queen and I: Pam Ferris plays the Queen in Sue Townsend's stage version of her bestselling novel, which places the Royal Family on a housing estate. Max Stafford-Clark directs (Royal Court 071-730 1745)

● King Lear: Robert Stephens plays Lear in a transfer from Stratford of Adrian Noble's acclaimed 1993 production (Barbican 071-638 8891)

● Dead Funny: Terry Johnson's hilarious, rude and emotionally shattering play about dead comedians, sex therapy and childlessness. Zoe Wanamaker heads an excellent cast (Vaudeville 071-836 9987)

● Arcadia: Tom Stoppard's complex but often funny drama is enjoying a West End run in Trevor Nunn's National Theatre production (Haymarket 071-930 8800)

OPERA/DANCE

Covent Garden The Royal Opera's new production of Aida, conducted by Edward Downes and staged by Elijah Moshinsky, opens tonight with cast headed by Cheryl Studer, Luciana D'Intino, Dennis O'Neill, Alexandru Agache and Robert Lloyd. The Royal Ballet gives the world premiere on Sat of Ashley Page's Fearful Symmetries, set to music by John Adams, in a mixed programme including MacMillan's Winter Dreams and Danses concertantes (071-240 1066)
Coliseum ENO has a new production of Jenufa, conducted by Sian Edwards and staged by Lucy Bailey, with cast headed by Susan Bullock, Josephine Barstow and Kim Begley. Repertory also includes La boheme and Peter Grimes (071-836 3161)
Sadler's Wells London City Ballet is in residence next week with Coppelia (071-278 8916)

CONCERTS

South Bank Centre Tonight: Neeme Järvi conducts Philharmonia Orchestra in works by James MacMillan and Shostakovich. Tomorrow: Maurizio Pollini piano recital. Sat: Mahler's Eighth Symphony. Sat (QEH): Nicholas Braithwaite conducts Chelsea Opera Group in concert performance of Zandonai's Francesca da Rimini. Sun: Itzhak Perlman plays violin concertos by Bruch and Beethoven. Next Tues: Kurt Sanderling conducts Philharmonia Orchestra in first of four Brahms concerts (the others are June 26, 28 and 30). Wed: David Willcocks conducts Bach Choir in Elgar's The Dream of Gerontius, with Arthur Davies (071-928 8800)
Barbican Tomorrow: Felicity Lott and Ann Murray song recital. Sat: Michael Nyman Band in music from The Piano. Sun: Stephanie Gonley directs ECO in Mozart and Vivaldi. Mon: Borodin Quartet gives first concert in a cycle of Shostakovich string quartets (the others are June 22, 24, 27 and 29). Next Thurs: Gidon Kremer (071-638 8891)

■ MADRID

Teatro Lirico La Zarzuela Wozzeck opens on Mon in a production conducted by Antoni Ros Marba and staged by José Carlos Plaza. The cast is headed by Gerardo Vera, Anja Silja and Graham Clark. Repeated June 22, 24,26 and 28 (01-429 8225)

■ MILAN

Conservatorio Tonight: Itzhak Perlman is violin soloist in a Mendelssohn programme with Padua Symphony Orchestra. Mon: Martha Argerich piano recital.
Teatro alla Scala Tomorrow: Rigoletto. Next Tues and Wed: Varese Festival concerts conducted by Riccardo Chailly and Pierre Boulez. June 27: Wolfgang Sawallisch conducts revival of the Strehler production of Entführung (02-7200 3744)

■ RAVENNA

Ravenna's annual music festival opens tonight with a concert by the Vienna Philharmonic Orchestra conducted by Seiji Ozawa. Other highlights include an operatic concert with Mirella Freni and Carlo Bergonzi on Mon, the Dresden Staatskapelle with Giuseppe Sinopoli next Thurs, the Orchestra of La Scala Milan with Wolfgang Sawallisch on July 3 and the Philharmonia Orchestra with Myung-Whun Chung on July 11. Riccardo Muti conducts Norma on July 16 and Verdi's Requiem on July 20 and 22 (Teatro Alighieri, Via Mariani 2, 48100 Ravenna, Italy. Tel 0544-32577 Fax 0544-215840)

■ SPOLETO

The 1994 festival opens next Wed and runs till July 10. Highlights include Wozzeck staged by Günter Krämer and a Poulenc double-bill pairing his surreal opera Les mamelles de Tirésias with a reconstruction of Nijinska's original choreography of Les Biches. The dance programme is headed by Martha Graham Dance Company and Roland Petit's Ballet National de Marseille. The drama programme includes St Petersburg Maly Theatre's production of Claustrophobia and an Italian-language staging of Arthur Miller's The Last Yankee. There will also be a retrospective of French sculptor Emile Bourdelle (Information and tickets from Teatro Olimpico in Rome 06-323 4890 or Teatro Nuovo in Spoleto 0743-40265)

■ TURIN

Teatro Regio La Cenerentola runs till June 30 in a production conducted by Bruno Campanella and staged by Roberto De Simone, with cast headed by Jennifer Larmore/Susanne Mentzer, Rockwell Blake/Mario Zeffiri, Enzo Dara and Michele Pertusi. The next performances are tonight, Sat, Sun afternoon and next Tues (011-881 5214)

■ VENICE

Teatro La Fenice Tomorrow, Sun: Busoni's Turandot and Stravinsky's Perséphone, conducted by Michael Boder and staged by Fabrizio Clerici and Enrico D'Assia, with cast including Sabine Hass, Paul Frey and Fanny Ardant. Sat, next Tues: Peter Maag conducts Mozart's Requiem (041-521 0161)

ARTS GUIDE
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Aspirin offered for a chronic illness

BOOK REVIEW

BRITAIN'S ECONOMIC PERFORMANCE
Edited by Tony Buxton, Paul Chapman, Paul Temple
Routledge, 438 pages, £50 hardback, £15.99 paperback

Nowhere is the short-termism which plagues British economic management so well illustrated as in monetary policy. Global fixed exchange rates, domestic monetary targets, membership of the European exchange rate mechanism – all have been hailed as the cure for Britain's inflationary tendencies, and then discarded when they have been seen to fail.

The problem is not that the relationship between the Bank of England and the government is unimportant – the international evidence suggests it is. Neither is it that the choice between alternative nominal targets is trivial – more damage has been done over the past 15 years in pursuit of unobtainable targets than by any other economic policy action.

The underlying trouble with British economic policymaking has, instead, been to focus on a symptom – inflation – rather than structural economic weaknesses, and to rely too much on monetary policy alone to provide a cure.

That is the underlying message of *Britain's Economic Performance*. Its long-term focus comes as no surprise, for the authors were all economists or consultants to the National Economic Development Office, a government agency set up in the 1960s to analyse the reasons for the UK's relatively poor economic performance and to encourage dialogue and co-operation between employers, the government and trade unions.

Prominent in the 1970s, the corporatist, consensual style of government which Nedo embodied went out of fashion under the then Mrs Margaret Thatcher, although it took until 1992 – after her departure – for the organisation finally to be abolished. This volume brings together the work in progress of Nedo's staff at the time of its demise, plus contributions from prominent ex-employees and some reflections on the organisation's work.

It surveys, over 18 chapters, the recent performance of the UK economy across trade, investment, finance, labour and technology. And, as one would expect from former Nedo staff, it strikes a balance between impressive statistical analysis and information, and institutional detail and colour.

Not all the contributions get the balance right – the chapters on the relationship between industry and the City are too theoretical. Others are written in a turgid style, suggesting too many hours sitting in Nedo council meetings. Overall, the book tends to become rather bogged down in analysis at the expense of clarity of conclusion.

A powerful argument shines through, nonetheless: decades of under-investment in productive capacity, in education and skills, and in research and development lie at the heart of both Britain's poor growth and employment performance, and its inflationary ills.

The response of government in the face of the accumulating evidence has, the book suggests, been piecemeal and inadequate. The book's underlying message is that economic policy has been driven by ideology and short-term vested interest, rather than long-term strategic sense.

Its most important theme concerns the relationship between inflation and supply-side weaknesses. The authors do not underestimate the significance of stable demand or the damage done by the UK's boom-bust cycle.

They locate the source of macroeconomic failures not simply in errors of judgment at the Treasury or Bank of England, but in supply-side obstacles to sustained growth – shortage of productive capacity and of skilled labour. It would be easy, but mistaken, argue Paul Chapman and Paul Temple, to claim that the twin problems of inflation and the balance of payments deficit in the late 1980s were simply caused by excessive growth of nominal demand.

Instead, they say, the true source of inflationary pressure was not wage inflation or a loose monetary policy, but the fall in economy-wide productivity growth, which began to push up unit cost alongside growing skills shortages in 1986, well before wages accelerated or interest rates fell to their 1988 lows. By failing to deliver productivity and export growth to match the aspirations of the population for rising living standards and imports, these supply-side weaknesses sowed the seeds of the inflationary troubles that followed.

For the late 1980s, now read mid-1990s. Contemporary economic debate and policy-making, they argue, remains too short-termist and shallow, and overly concerned with monetary policymaking.

Yet even with a sluggish recovery and high unemployment, the inability of the British economy to grow without sucking in imports and hitting capacity bottlenecks is already starting to show. Survey evidence points to rising skills shortages; import volume growth has outstripped export growth throughout the recession; and private investment has barely begun to offset the lost physical capacity over the course of the recession. Add in the projected slowdown in productivity growth over the next year, the impact of rising taxes on disposable incomes and the government's need to court popularity, and the early signs of another inflationary cycle emerge.

In short, it is the underlying weaknesses of the UK economy, not simply monetary policy mistakes, that lie at the heart of Britain's recurrent boom-bust cycles. The risk is that the present recovery will soon by choked off by rising skills shortages, wage inflation and capacity bottlenecks. This means supply-side policies to boost productivity growth are as important for anti-inflationary credibility as the relationship between the governor of the Bank of England and the chancellor. That would, it seems, have been Nedo's view.

Edward Balls

The reviewer is economic adviser to Gordon Brown, the UK shadow chancellor

ECONOMIC VIEWPOINT

Free bankers and gold bugs

By Samuel Brittan

Although the academic case against central banks, and for free banking, has failed, so far, to gather much practitioner support, should the current enthusiasm for central bank independence prove a disappointment, in terms of successful re-establishment of price stability, then it is possible, though far from certain, that the cause of free banking would obtain renewed support.

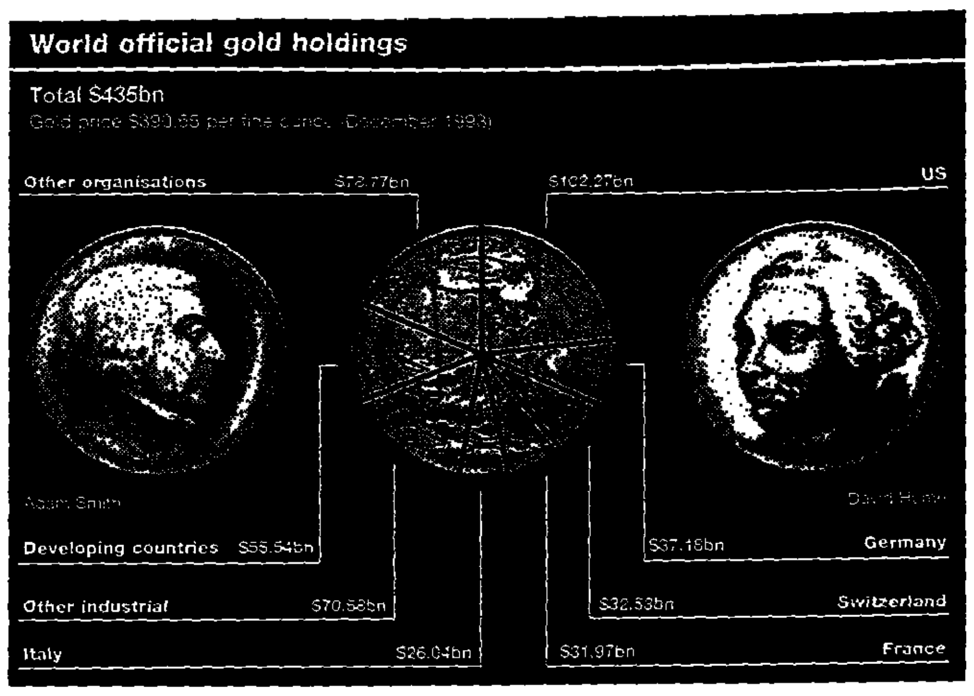
The above is a quotation not from some maverick, but from the keynote paper by Professor Charles Goodhart and co-authors (*The Development of Central Banking*) at last week's Bank of England tercentenary seminar.

The argument is about whether banking requires more regulation than any other industry. It helps to follow the argument if we make a clear distinction between "currency", namely notes and coins plus bankers' reserves with the central banks, and "money", which is a much wider concept including bank deposits and any other instruments used for settling debts. (Currency is also pretty close to the monetarists' idea of "base money".)

The issue goes back to a division among the founding fathers of economics about the inflationary effects of banking. David Hume, who promulgated the Quantity Theory, regarded currency as consisting essentially of gold or other precious metals. He explained how a doubling of the amount of gold in Britain would lead first to a rise in prices and then to a redistribution of the new gold throughout the rest of the world. He regarded man-made substitutes, whether bank notes or deposits, as essentially counterfeit gold.

Adam Smith disagreed on the last point. His view, which may be called the "classical" one, was that price stability depended on the convertibility of notes into precious metals. The classical school argued that banks could not issue credit indefinitely as the public had to be persuaded to accept the notes and deposits thereby created. Banks would not only have to acquire a reputation for caution but offer interest, at least on deposits. So the multiplication of man-made money would come to an end where the extra interest from advancing credit was balanced by the extra interest that had to be paid to depositors as well as other banking costs.

There are some factual observations which tell in favour of the classical school.



The chief monument to the Quantity Theory (then called "currency school"), was Robert Peel's Bank Charter Act of 1844. This tried to stop the multiplication of bank money by giving the Bank of England a monopoly of the note issue, the size of which was tied to its gold stock. The authors of the Act did not realise that deposits would become far more important than notes; and the Act did not prevent a vast increase in the effective money supply erected on a small gold base. There were no long-term inflationary or deflationary developments, while the pound remained convertible into gold.

In our own day central banks have tried to limit the creation of deposit money; and critics have often scoffed that their efforts are dwarfed by the multiplication of deposits in the Euro markets and general innovation and globalisation. Yet none of these hyped-up forces has prevented central banks from curbing inflation once they had developed the courage to raise interest rates enough to do so, first in the 1980s and then in the 1990s.

Some of the above arguments are taken from David Glasner's *Free Banking and Monetary Reform* (Cambridge University Press, 1989), to which I alluded in Economic Viewpoint last week. This book comes to grips with problems that many other free banking writers have ignored; and it is free of the fanaticism which frequently surrounds monetary subjects.

Competing money is with us but the state must define an inflation proof unit

Glasner maintains that Hayek was wrong to suppose that private enterprise money would be introduced in rival inflation-proof units. This overlooked the cost of switching from one unit of account to another, and especially into unfamiliar units. Thus, even at high rates of inflation, private enterprise suppliers of money are more likely to compete by paying interest rates containing an inflation premium. Glasner's argument is that we already have competitive money but that the state still has a function in defining an inflation-proof monetary unit.

What then would a moderate free banker, like Glasner, now advocate? He does not seem to regard the central bank monopoly of the note issue, or even the legal tender laws, as important enough to crusade against. Nor does he insist on the immediate abolition of all central banks.

His big criticism is of compulsory state-guaranteed deposit insurance. The fate of the US Savings and Loans institutions, which had to be rescued at the cost of the American taxpayer, gives him all the ammunition he needs. Such guarantees create a problem of moral hazard, as banking institutions feel safer about engaging in reckless lending.

The argument does not stop here. There is implicit, if imperfect, understanding that central banks will not allow commercial banks that are household names to fail. The lender of last resort function consists today of deliberately ill-defined guarantees in return for acceptance of detailed supervision. It is this that gives central bankers the air of very important people who need to be engaged, not just with monetary policy, but with the highest figures in private finance. Without going so far as to abolish these responsibilities overnight, New Zealand's proposals for a switch of emphasis from supervision to disclosure is surely the direction in which to go.

An implication is that ordinary citizens and small businesses not wishing to take a view on financial markets would be well advised to place their ready cash in low-interest deposits backed by virtually risk-free assets, such as short-term government paper.

Glasner departs from some other free bankers in accepting a role for the state not only in declaring a monetary unit but in supplying a currency denominated in that unit, which would preserve its real value. He joins the new and old fogies who hold that monetary stability can, in the end, only be guaranteed by convertibility into a real asset. The one asset he discusses in detail is gold.

But unlike the pure gold bugs, he recognises that gold itself can fluctuate in real value, especially as so much of the world's gold stock is in the hands of central banks. He suggests base money should be convertible into gold at a variable rate designed to stabilise the general price level. And he therefore advocates a variable official gold price. If, for instance, the price of gold fails to keep up with a general inflation index, the holder of currency would receive a larger amount of gold on conversion. But if the price of gold rose by more than the general price index – that is a threat of deflation – then a smaller quantity of gold would be paid out for each currency unity exchanged.

A first inspection suggests that central bank gold stocks might be enough to give the plan a chance. IMF estimates indicate that they are worth over $400bn. But, clearly, plans for an adjustable gold standard will need to be fully investigated before even being proposed, let alone adopted.

LETTERS TO THE EDITOR

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Concerned by banking practice

From Mr John Jackson.

Sir, It is normal practice for a clearing bank to obtain a report from accountants before granting, or continuing, financing facilities for working capital to a company that is in, or emerging from, a period of financial difficulty. The accountants are instructed by the bank in terms agreed with the company, which undertakes to the bank to pay the accountants' fees for doing the work. This is unobjectionable.

However, in such circumstances, certain clearing banks may also indicate to the accountants that, in the event of a situation developing in which the power to appoint a receiver is exercised by the bank (possibly following a decision not to grant or renew facilities in the light of the accountants' report) that firm of accountants will be appointed receivers. I think this practice is objectionable.

My concern is heightened if the bank invites the accountants to discuss how they would proceed with a receivership while, to the knowledge of the bank, the directors are negotiating a transaction which might create a need for a further report by the accountants.

My concern is heightened further if, when the directors are successful in their negotiations, the bank calls for a further report and the accountants, to the knowledge of the bank, refuse to put in writing an acknowledgment that they, in making their report to the bank, owe a duty of care to the company.

Perhaps it would benefit the business community if this area was considered by the Bank of England and the Institute of Chartered Accountants.

John Jackson,
Brown & Jackson,
21 Southampton Row,
London WC1B 5HS

Voters fed up with Westminster too?

From Mr Christopher Jackson.

Sir, Kevin Brown ("PM under pressure as Tories fear disaster in Euro-poll", June 11/12) reports my friend Sir Teddy Taylor as remarking that the voters had "shown in the astonishingly low turnout for the Euro-polls that they are fed up to the teeth with Brussels rule".

The facts do not support him. In the Kent East seat which I shall alas be vacating next month the Westminster constituencies of Dover, Ashford, Folkestone, Canterbury had higher turnouts in the Euro-election than in four out of the five Westminster by-elections held on the same day.

Should I conclude that the voters are "fed up to the teeth" with Westminster?

Christopher Jackson,
MEP for Kent East,
Constituency office,
8 Wellmeade Drive,
Sevenoaks,
Kent TN13 1QA

Time to join campaign

From Mr Chris Hinze.

Sir, Liberal Democrats appear to have been robbed by look-alike Literal Democrats of their seat in Devon and Plymouth East. Having seen the damage that consumer confusion can inflict, they will perhaps now join the other political parties and support the British Producers and Brand Owners Group campaign against look-alike products.

Chris Hinze,
65 Wiverton Road,
Sydenham, London SE26 5JB

No doubt about estimates of beer imports to UK

From Mr M H Rees

Sir, I was surprised by Mr Pressnell's assertion (Personal View, June 9) that BLRA data on duty-paid imports might not be defensible. The Calais effect has clearly given rise to uncertainty in France as to the precise fall in the French domestic market which occurred in 1993, but Mr Pressnell admits personal imports from France in 1993 were "around 800,000 hectolitres, perhaps 1m at the most". This is in line with the BLRA's estimate of the *growth* of personal imports that year, bearing in mind that personal imports were already running at more than 900,000 hectolitres per annum in 1992.

Mr Pressnell says that beer duty receipts were higher (by 0.08 per cent) in 1993 than in 1992. But the effective rate of duty was 6 per cent higher overall in 1993 than 1992. This leaves plenty of room for a fall in domestic beer sales in 1993 of about 2 per cent and for the BLRA's estimate of the growth in duty-paid imports.

The BLRA has never predicted increasing duty-paid imports would nullify the strong growth in the take-home beer market. Nevertheless, 1992 growth of, say, 5 per cent was reduced to 2 per cent in 1993 and pub and club beer sales fell by 3.8 per cent.

Mr Pressnell's figures for vehicle journeys across the Channel appear to assume that all journeys are made through Dover. Although Dover is undoubtedly the largest passenger port for the Continent, 40 per cent of all journeys go through other ports – Ramsgate, Folkestone, Portsmouth, Newhaven, Plymouth, Harwich, etc. He disregards the 624,000 return trips made by coaches and commercial vehicles through Dover. The figure of 8.5m return passenger trips in 1993 is too low even for Dover, the correct figure being 9.2m. Moreover, about one-third of all duty-paid imports of beer are carried in transit vans carrying on average a full load of 860 litres. The actual average load per car is less than 50 litres, less than half the guideline level per person of 110 litres and the same as the old allowance per person.

Mr Pressnell's article gives no ground whatever for doubting the BLRA's estimates.

M H Rees,
secretary, Brewers and Licensed Retailers Association,
42 Portman Square, London W1

Need for arms code

From Mr Vaughan Allen.

Sir, Leslie Crawford's article on the supply of arms by France to the Rwandan government ("France, South Africa and Egypt 'supplied Rwanda massacre arms'", June 14) illustrates clearly the problems caused by the lack of consistent policy on arms exports within the European Union.

In June 1991, the European Council published a list of seven criteria which should govern arms export controls (later expanded to eight at Lisbon in 1992). These have yet to be adopted by the EU, because of disagreements between member states over interpretation.

Implementation of these criteria – especially those relating to consideration of the human rights records of the importing country and its internal stability – would deny certain states such as Rwanda access to military goods, and would constitute a significant step towards controlling the flow of arms to oppressive regimes.

Vaughan Allen,
media officer,
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CSO constantly seeks to enhance seasonal adjustment procedures

From Mr David Wroe.

Sir, We were pleased to see your interest in seasonal adjustment of statistical series – a highly technical subject, but at the same time one of great importance in the analysis of economic and other data ("Easter's moveable feast dishes statisticians", June 7). The topic is one to which we devote a lot of attention both in considering the merits of alternative systems and in deciding how best to use options available in the X-11 system we have adopted. In our continuing search for improvements, we have engaged the help of Dr Estelle Dagum, an expert of international repute, to advise on seasonal adjustment procedures.

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Reforming US welfare

The most important aspect of the welfare reforms announced this week by President Bill Clinton is the proposed shift from a passive to an active stance. The laudable goal – likely to strike a chord with politicians in other countries – is to break the "cycle of dependency" and provide recipients with the job training, counselling and childcare required if they are to become productive citizens.

Although Republicans have reservations about many of the specific measures, there is strong bipartisan support for ending the present system, both on Capitol Hill and among state governors, many of whom are introducing their own welfare reforms. There is little prospect of legislative action this year, because the relevant congressional committees are grappling with the even bigger challenge of healthcare reform. But given the consensus on the need for change, reforms loosely based on Mr Clinton's ideas probably will be enacted in 1995.

The most controversial change is the proposed two-year time limit on welfare payments. This is not quite as sweeping as it sounds. The new rules would apply only to the "next generation" – people born after 1971, about a third of the present case load. And the measures would be phased in slowly: by the year 1999 it is estimated that only about 8 per cent of the welfare population would be working for their benefits.

Nor is Mr Clinton proposing an end to public support after two years. If recipients could not find private sector jobs before the deadline, they would be offered publicly-subsidised employment at the minimum wage. Provided people "play by the rules" and continue searching in good faith for private sector jobs, the offer of public employment would be permanent.

The relevance of these measures to Europe's problem of welfare dependency is limited. Mr Clinton is focusing on Aid for Families With Dependent Children, a joint federal-state programme which channels benefits almost exclusively to single-parent families. The most important differences between the US and Europe relate to treatment of adults and the unemployed. The US has never had a general welfare system: childless adults do not qualify for federal benefits and get very little assistance from states. Unemployment insurance has always been limited to six months, with temporary extensions during recessions. It is in these areas that reforms in Europe may produce the greatest benefits in terms of reduced dependency.

The US insistence that young mothers with children "earn" their benefits marks a hardening of moves toward "workfare" which began with the bipartisan Family Support Act of 1988. Yet it is questionable whether this is the most urgent priority when cash for job training is so limited. Instead of trying to get mothers out of the home, where they are gainfully employed in raising children, it would make more sense to focus on improving the job skills of unskilled young males, who have dropped out of the labour force in disturbingly large numbers. If such men were more employable, they would also make better marriage prospects. The number of out-of-wedlock births might then decline. And the US would have begun to address one of the root causes not just of welfare dependency, but of the poverty and violence that disfigures inner cities.

Unsugared pill

What do the Football Association and the watchdogs of Britain's retail financial services industry have in common? Answer: an uncanny ability to penalise the wrong people.

Consider the case of Tottenham Hotspur. The FA has just imposed a swingeing £600,000 fine on the north London soccer club, excluded it from the FA Cup for a year and knocked 12 points from its total next season, which will make relegation difficult to avoid. The offences in question had nothing to do with controversial loan arrangements and transfer payments undertaken by its former manager Mr Terry Venables. They concerned the less weighty matter of irregular loans made to players in the 1980s. That was before the arrival of the club's present chairman and controlling shareholder, Mr Alan Sugar of Amstrad.

Mr Sugar is the kind of hard-nosed entrepreneur for whom hearts do not readily bleed. But it is difficult to see why he, who rescued the club with a cash injection in 1991, should bear the brunt of the FA's disciplinary action; or, again, why players and fans who were not involved in the irregularities should live under the cloud of a 12-point handicap. Mr Venables, meantime, has never fully answered his critics, but has been rewarded by the FA with the job of England's coach.

This would not seem to fit any recognisable definition of natural justice. But it might well appear familiar to the policyholders and shareholders of those life assurance companies that have recently been fined for sharp sales practice. The misdemeanours were perpetrated by the directors, managers and salesmen of the companies. Yet the fines fall chiefly on the policyholders – including victims of mis-selling – and to a lesser extent on shareholders in proprietary companies. This no doubt creates an impression of regulatory activity. But it is not a kind of regulation worth having. Still less does it constitute justice.

The FA should sharpen up its act, but may need a little bruising legal assistance from Mr Sugar to do so. The new Personal Investment Authority should be encouraged to require individual registration and fines for insurance company directors. As long as sanctions are manifestly indiscriminate, regulation degenerates into farce.

Clarke on trial

The chancellor of the exchequer assured his audience at the Mansion House last night that "we have not created the conditions for the strongest recovery in Europe in order to throw it away by creating yet another boom followed by a bust". Such talk is cheap. But will Mr Clarke act as decisively as he talks?

The chancellor is right to argue that the UK might manage a long period of sustained growth with low and stable inflation. There are, as he notes, three threats: unsustainable public borrowing; failure to keep inflation under control; and problems on the supply side, which would be shown in labour shortages and current account deficits.

So far, the recovery is going well, as yesterday's data show. Over the 12 months to May the retail price index, excluding mortgage interest receipts, rose 2.5 per cent, well within the government's 1-4 per cent target range (though at the upper limit of the bottom half of the target range, which is where inflation is supposed to be by the end of the Parliament). Happily, the underlying increase in labour earnings fell back to 3¾ per cent in the year to April, down from 4 per cent in March.

Furthermore, unemployment has fallen far more than might have been expected, by 311,000 from its cyclical peak in December 1992. Yet the employment data are puzzling: the labour force survey shows an increase in the total number in employment of only 149,000 between the winter of 1992-93 and the winter of 1993-94, while the survey of employers shows a *fall* of 58,000 in employment between December 1992 and March 1994. These discrepancies go to show how difficult it is to know the economy's potential output.

The chancellor's list of threats is correct. He has also done the right thing about the fiscal deficit, but must remind his backbenchers that tax cuts will demand further cuts in spending. As for bottlenecks, the best remedy of all would be a prolonged period of steady growth. Bottlenecks are bound to plague an economy suffering from erratic demand management.

Above all, demand must be managed cautiously, since nobody knows what potential output is. This is, in any case, not a point, but a band. What the authorities do know is that over the last cycle the underlying annual rate of growth was only 2¼ per cent: 3 per cent is probably the fastest safe annual rate of growth of real output and, given the current account deficit, also of real domestic demand. If inflation is to be below 2½ per cent, nominal domestic demand should rise at about 5½ per cent a year, which is, as it happens, what it did in the year to the last quarter of 1993 and, again, to the first quarter of 1994.

Mr Clarke is right to argue that the decision to publish the minutes of his discussions with the governor has been his most important one. But they also show that he has been more willing to cut rates than Mr George. Markets do believe Mr Clarke will be forced to raise rates, but fear he will act too late. Given their past experience, investors are bound to be distrustful. Mr Clarke must be prepared to prove those doubts misplaced.

We're trying to connect you . . .

Martin Dickson appraises the attractions of Sprint to French and German state-owned telecoms companies

She's the quintessential savvy, beautiful, independent, professional American woman. That is the role actress Candice Bergen plays almost nightly on US television in two different contexts: as the star of the comedy series *Murphy Brown* and as advertising pitch-person for long-distance telecommunications group Sprint.

Right now she can be seen extolling the merits of Sprint's new voice-activated Foncard – the world's first calling card allowing a user to dial numbers simply by ordering the telephone system to "call home", or any of nine other destinations the individual nominates.

One advertisement has Bergen losing her address book as she drives across a wild American landscape. No problem. She uses her Foncard at a remote call-box, muttering to herself: "Is this a great country, or what?" The mundane act of placing a phone call seems sexy, sophisticated, even patriotic.

It also highlights the attractions of Sprint, in which Deutsche Telekom and France Telecom have just agreed to invest some $4bn for a 20 per cent stake as part of a new global telecommunications alliance.

Established in 1986, two years after AT&T's stranglehold on the long-distance market was broken by an anti-trust court settlement, Sprint has built itself into one of the Big Three US long-distance carriers, with a strong brand identity (thanks in no small measure to Ms Bergen) and a reputation for technological innovation.

It was the first US company to build a nationwide, all-digital fibre-optic network – the kind of system which will form the backbone of the much-touted "information super-highway" – and it owns one of the leading global data communications networks, called SprintNet.

That said, it has been less successful than rival MCI Communications – longer established and known for razor sharp marketing – at snatching customers from AT&T, whose share of the US long-distance revenues has shrunk from 90 per cent to about 60 per cent since full competition was introduced in 1984.

Sprint, which made some serious marketing errors in the late 1980s, has a US long-distance share of around 9.5 per cent, against roughly 19 per cent for MCI. But Sprint – dismissed a few years ago as a long-distance also-ran – is showing signs of being a more aggressive, effective competitor.

It is also unique among US communications companies in having large operations in all three important areas of the business – long-distance, local and cellular telephony – and some analysts

think this, with its national brand-name, puts it in a strong position to benefit from the sweeping change facing the US industry.

But it is mainly Sprint's long-distance and international operations which make it the most attractive US partner for European telecommunications companies – given MCI's alliance last year with British Telecom, and the likelihood that AT&T's size would make it an uncomfortable bedfellow and might trigger competition policy alarms in Brussels.

Sprint, for its part, needs foreign allies if it is to be an effective global player against AT&T and MCI, offering business customers a comprehensive service around the world.

The $4bn it will receive from the French and Germans will help it cut borrowings (its debt to total capitalisation ratio stood at a relatively high 55 per cent in late 1993) and to invest in opportunities created by telecommunications liberalisation in the US and internationally.

Central to Sprint's growth has been the personality of its tough chairman, 54-year-old Mr William Esrey. A former Harvard Business School student and one-time investment banker, in 1980 he joined United Telecoms, a sleepy local telephone operator, and persuaded it to invest in the long-distance market. In 1986, he united these operations with Sprint, the newly established long-distance arm of GTE, another local operator. GTE eventually sold its stake to United Telecom, which in turn changed its name to Sprint.

Sprint's long-distance business quickly gained customers from AT&T but at the start of the 1990s its market share began to slip, as the strains of its helter-skelter expansion began to tell: it was over-staffed; it had a reputation for billing errors; United Telecom and GTE argued over strategy; and MCI was much more innovative in its marketing, particularly to homes and small businesses.

Sprint's share is now rising slowly again, and profitability is improving, thanks in part to a 1991 management reorganisation which focused more closely on market segments. It has established a solid position among corporate customers and has cleverly targeted affluent individuals who use the phone often, though it is still under-represented in the small businesses market.

The long-distance arm is in the throes of an extensive programme to cut costs and improve cycle times which analysts expect to produce several hundred million dollars in savings when it ends next year.

Its operating margin – operating income as a percentage of revenues – has already risen from 5 per cent in 1992 to a little over 8 per cent, and Wall Street expects the figure to be close to 10 per cent by late 1995. But that would still be short of the 11 to 12 per cent margin at AT&T and MCI.

Sprint's local telephone operations have a much better financial track record. Serving 6m customers in 19 states, Sprint has one of the most modern local networks in the US, one of the highest returns on equity among regional carriers and the nation's fastest growth in access lines. And while the local operations had operating revenues last year of $4.1bn, well below the $6.1bn of long-distance, they made $954m in operating income, far outstripping the $501m of long-distance.

Sprint's cellular telephone business, the 10th largest in America, also had one of the industry's fastest rates of customer growth, and Mr Esrey plans to use much of the European cash injection to bolster its position. He wants to form an alliance with other cellular operators, which have a patchwork of local licences across the US, to create a seamless national mobile network. His rivals have similar plans: AT&T (through its proposed takeover of McCaw Cellular) and MCI (through a stake in wireless operator Nextel).

All three groups, and their allies, are expected to be keen bidders at the end of this year when the federal government auctions off licences for personal communications services, which use especially small, light handsets and may turn wireless into a mass market.

Sprint's local phone business will face increased competition over the next three to five years, in common with every other regional carrier, as competition breaks down these local monopolies. But analysts think it will suffer less than most regional carriers because its local business is concentrated mainly in rural areas with fewer than 10,000 access lines – making this side of its business unattractive to companies targeting areas of high population density.

Sprint, moreover, thinks any local losses it may suffer from competition could be greatly outweighed by the freedom deregulation will give it to go into the territory of other regional operators: many of its exchanges are close to large centres of population, where it could cream off business customers.

"This may be the gold mine of local competition for us," says a senior executive.

Andrew Adonis explains the competitive pressures leading to international alliances

Best form of defence

Few industries are surrounded by so much hype as telecommunications. Its networks have become "superhighways"; its new services are invariably "multimedia"; every other joint venture claims to be "global".

In fact, the multimedia revolution is in its infancy, while today's grand alliances are essentially moves by individual telecoms companies to increase their ability to snatch core telecoms business from other international operators. Such truths should reassure, not disappoint, the consumer: it means more competition, better service, and the prospect of sharp falls in prices, particularly bloated international tariffs.

This is not to minimise the sums of money at stake. More than $4bn will change hands if the alliance between the US company Sprint and the French and German state-owned telecoms companies is consummated. The trio is consciously imitating British Telecommunications and MCI, which yesterday gained US regulatory approval for a $5.3bn transatlantic alliance.

From the point of view of France Telecom and Deutsche Telekom, the Sprint link-up is more defensive than offensive:

● The motivation for the huge investment is to tie Sprint hand and foot to a Franco-German telecoms alliance formalised last December. For the European companies the prize is access to Sprint's existing networks, services and marketing dynamism. It also gives a respectable route into the US, the home of most multinational businesses, reducing the risk that US operators – particularly AT&T – will steal traffic from multinationals based in France and Germany when the EU's markets are fully liberalised in 1998.

● The $4.2bn which the two state telecoms companies intend to pay Sprint is a straight equity investment in the US operator. It is not geared to joint services or networks: indeed, Sprint talks about using the cash to cut borrowings and bid for US cellular licences.

● Of the services the new alliance proposes to offer, some, such as international calling cards, are already generally available in the US; while others, such as cross-border "one-stop shop" facilities, consist of doing better and cheaper what telecoms companies claim to do already – provide an efficient, cost-effective international telephone service.

Other international telecoms alliances show similar characteristics. Mr Viesturs Vucins, chief executive of Unisource, the international joint venture launched last year by the Swedish, Swiss and Dutch national telecoms operators, concedes: "Our focus is a bit unsexy – it is solving customer needs as they are right now: better quality and lower cost for international telecoms services."

He adds: "They are basic needs that should have been solved a long time ago; and we need to get them right before we can start offering very sophisticated services." To succeed, a US alliance for Unisource is "very important". He refuses to elaborate, but Unisource is known to be in talks with AT&T about a transatlantic tie-up.

Mr Vucins's "basic needs" are big business. The market for providing managed telecoms services to multinationals, enabling them to deal with a small number of contractors for their international telecoms needs, is potentially vast.

Dataquest, the international consultancy, estimates that in 1997 the global market for international calls will be worth about $100bn, with the corporate sector accounting for two-thirds. The operator able to establish itself now with the multinationals – of which Unisource estimates there are 2,400 globally, 800 of them in Europe – will be well-positioned as national telecoms monopolies crumble outside the US.

However, the market for telecoms companies to act as "outsourcers" for the telecoms needs of multinationals – that is, to take over the ownership and management of their telecoms systems – is problematic. Surveys show large companies reluctant to hand over full control of such a strategic asset: according to one international operator, up to a third of multinationals inviting tenders for outsourcing contracts end up not awarding them.

As for the multinationals, their new-found power as buyers has been enhanced by the formation of a pan-European telecoms association of large multinationals, including Philips, ABN Amro, ICI, Rank Xerox and ABB. Its objective is simple: to negotiate cheaper volume tariffs and better cross-border facilities by offering pan-European contracts to one or more of the larger operators.

As a first stage, the association has invited British Telecommunications and an alliance of AT&T and Unisource to produce plans and prices for a pan-European network. Mr John Sale of Rank Xerox, the association chairman, is looking for cost savings of up to 40 per cent in return for volume business. At the start of the year, the association had 30 members; it has already risen to 50 "and we are continuing to receive approaches from large companies", says Mr Sale.

For their part, the telecoms alliances are pulling out every stop to get business from the association. They do it with some misgivings: "Frankly, the deal is that we undercut ourselves, and the more the better," notes a senior executive of one telecoms company.

But the cost of missing out could be higher still, as the alliances securing the principal contracts use their muscle to bargain down the price of bulk capacity from other telecoms operators around the world.

OBSERVER

Girolami and his rival

■ The retirement of Glaxo's chairman, Sir Paul Girolami, at the ripe age of 68 rounds off one of the most remarkable careers in British business this century. It also shows an interesting sense of occasion. Under Sir Paul, the mandatory retirement age for other Glaxo directors was reduced from 65 to 60. He himself, he always made clear, would go in his own good time.

He also made clear that his chief goal was to overtake Merck of the US, headed by Roy Vagelos, as the world's biggest drug company. Although he has done a remarkable job in closing the gap, he has failed in his object. Vagelos, meanwhile, has said he will retire in November. Girolami, no doubt by coincidence, is to go in the same month.

Given the intense competition between the two companies and the two men, it is worth asking who won in the long run. On one view, the answer has to be Girolami. Back in 1978, when he was Glaxo's finance director, the company had no sales in the US. It is now America's second biggest drug company after Merck, with sales of £2bn. This was chiefly due to Girolami's promotion of the ulcer drug Zantac. According to company lore, Glaxo originally planned to license Zantac in the US to Merck, before Girolami blocked the idea.

Similarly, since Girolami took over in 1981, Glaxo's sales and profits have doubled at twice the rate of Merck's. Merck's market value has risen eight-fold, Glaxo's 44-fold. But on any of these criteria Merck – one of the most admired companies in America – is still clearly ahead.

Vagelos is ahead in another sense. Last year Merck shook its competitors rigid with the $6bn takeover of Medco, a leading US drug distributor. In an industry obsessed by shrinking healthcare spending, this looks increasingly like a strategic masterstroke. Glaxo, like most of its rivals, is still struggling to respond.

Girolami, in other words, looked until lately to be ahead on points; but he leaves his company at a point of maximum uncertainty, with his arch-rival stealing victory at the final bell.

Big John

■ Talk about the pot calling the kettle black. John Prescott, Labour's blunt-speaking bruiser, was yesterday condemning the "politically motivated ministers" who had engineered the rail strike.

Wasn't the ex-ship steward one of the "politically motivated men" excoriated by Harold Wilson, then prime minister, during the 1966 seamen's strike? Prescott was not named by Wilson because he had been adopted as prospective Labour candidate for Southport. Comment

'British Rail sued Railtrack, then sent in the bailiffs'

of this sort might go down well with the trade union lot but they are not going to help Tony Blair's chances of winning an election if Prescott were to be his deputy.

Dole vita

■ One of the toughest tasks facing Silvio Berlusconi since he was appointed prime minister last month has been to decide where to sleep. The Italian press has had a field day speculating whether it would be a 16th century villa in the Doria Pamphili park, a magnificent flat in old Rome or a mansion in that haunt of film stars, the Appia Antica.

However, problems of security and fear of antagonising the public by ostentatious living have eliminated all these options. Instead, he has plumped for an unused flat on the upper floor of the prime minister's office at Palazzo Chigi.

Berlusconi's search for a suitable residence underlines the fact that the previous 52 postwar Italian premiers were never in office long enough to worry much about where they lived. The Chigi apartment was last used in 1983 by that hardy annual Christian Democrat Amintore Fanfani.

Singed?

■ Is the honeymoon over between British Gas and its new regulator, Clare Spottiswoode?

Judging by British Gas's pained response to Spottiswoode's decision on the pricing formula yesterday, the answer would seem to be "yes". Announcing that this year's dividend increase is now at risk, British Gas chief executive Cedric Brown said: "The document dispels any thought that British Gas has captured its regulator. She is extremely tough, demanding, intelligent and has a clear mind of her own."

Then again, Observer does not recall the word "intelligent" ever appearing in the war of words which characterised British Gas's stormy affair with her predecessor, the crusty Sir James McKinnon. Perhaps there is a flicker of hope that the relationship may warm up again.

False note

■ Hoots mon, here's a rum do – bagpipes that can't play a note. It seems that enterprising Pakistanis have spotted an unusual marketing niche. They are manufacturing cheap versions of Scottish bagpipes, those peculiar instruments shaped like a battered carpet-bag which emit sounds like a banshee, much to the delight of some Scots.

Stuart Mackay, of Forfar-based (authentic) bagpipe manufacturers Gillanders and McLeod, says that "Pakistanis are definitely targeting our market. It's a real cheek. The workmanship is terrible, they hardly produce a note – and tourists who have bought these things in Edinburgh come in and ask us to make them playable!"

The silent bagpipe – now that really would be a usp.

Pasta and chips

■ With the kick-off only days away, World Cup fever is hotting up in New York where T-shirts celebrating the first round's most compelling match have gone on sale. On the front: "Ireland vs Italy". On the back: "The IRA vs The Mafia".

FINANCIAL TIMES
Thursday June 16 1994

Industry likely to make $1bn profit this year

Airlines set to end four years of lossmaking

By Paul Betts, Aerospace Correspondent, in Geneva

The international airline industry expects to return to profit this year after suffering four years of huge losses.

After losing $4.1bn last year and a total of $15.6bn since 1990 on international scheduled services, the International Air Transport Association (Iata) said yesterday the industry was likely to show a profit of about $1bn this year.

"We are hopeful we have turned the corner," said Mr Tom Murphy, senior director of the organisation which groups more than 220 carriers.

Although the industry had hoped to see the first signs of an overall improvement last year, Mr Pierre Jeanniot, Iata's director-general, said 1993 was far worse than expected.

Originally the industry had expected to lose about $2.4bn on international scheduled services last year, but ended up with a $4.1bn deficit, the second largest in its history after that of $4.8bn in 1992.

Costs per ticket sold had fallen by 6.2 per cent last year, compared with an expected 8.8 per cent decline.

World airlines expect return to profits.......................Page 4

For the first time since 1988, airliners were fuller than the previous year, with traffic 7.7 per cent up on 1992 and capacity up only 5.2 per cent.

But Mr Murphy said much of the traffic growth had been "bought" through promotional and discounted fares at the expense of yields. This led to the bigger-than-expected loss of $4.1bn.

While traffic increased last year, the operating revenues of Iata airlines fell by $400m to $107.7bn, reflecting the pressure on passenger yields.

Traffic this year is expected to grow by 8 per cent, with capacity growing more slowly by 5 per cent. This, coupled with a small decline in costs as well as yields, is likely to lead to a $1bn profit in 1994.

Although this was a sign that the industry cycle was finally turning, a $1bn profit still represented less than 1 per cent of the industry's annual turnover, Iata officials noted.

Mr Murphy said last year's losses were not evenly distributed across the industry. About half the airlines were hovering around break-even, some were doing well and about one-quarter of the industry made losses.

After a disastrous 1993, Mr Murphy said this year had started well with a continued improvement in passenger loads. Mr Jeanniot said airlines had to continue to drive down costs to improve their financial positions. But he also called on governments to reduce the burden of taxes and charges on the industry to help support its recovery.

Clarke says spending cuts to have priority over tax cuts

By Peter Norman, Philip Coggan and Gillian Tett in London

Mr Kenneth Clarke, the UK chancellor of the exchequer, last night pledged that the government would not steer Britain's economic recovery into a new boom and bust cycle by generating a "fraudulent, inflationary, feel good" factor.

In the annual chancellor's Mansion House speech in the City, Mr Clarke moved to scotch suggestions that the government might opt for more expansionary economic policies in the wake of recent electoral disasters.

After a day in which official figures pointed to a steady, low inflation recovery, he made clear that public spending cuts would take precedence over tax cuts.

"We will cut taxes again, but only when we can afford to do so," Mr Clarke said. "The public are usually more sensible than politicians and the press. They will not put their confidence in a government that cuts taxes before getting borrowing under control."

The Mansion House speech has traditionally been the occasion for chancellors to expound on monetary policy. But last night, Mr Clarke chose a broader brush approach, partly because the details of monetary policy are in the public domain following the government's decision to publish the minutes of the chancellor's meetings with Mr Eddie George, governor of the Bank of England.

Yesterday's figures on unemployment, inflation and earnings suggest the economic recovery is being sustained. Average earnings slowed to an underlying average annual rate of 3¾ per cent in April from 4 per cent in March, calming City fears that the Bank might soon have to push up short term interest rates.

The news on retail prices was also positive, the annual "headline" rate of inflation staying unchanged at 2.6 per cent in May compared with April. Although the underlying measure of retail price inflation quickened to 2.5 per cent last month from 2.3 per cent in April, analysts said the increase partly reflected seasonal factors.

Meanwhile, a seasonally adjusted 20,100 drop in unemployment to 2.66m in May reinforced the picture of steady recovery. The fall, for the fourth month in a row, cut the jobless rate among benefit claimants to 9.4 per cent of the workforce in May from 9.5 per cent the month before.

There continued, however, to be a discrepancy between the claimant figures and those for the workforce in employment. The latter showed that the number of people in employment fell by 92,000 in the first quarter of 1994.

Mr John Prescott, shadow employment secretary, highlighted this continuing divergence. "The government's own statistics show that in 1993, while 201,000 people came off unemployment benefits, employment increased by only 19,000. The rest simply disappeared, like 70,000 of our 16 and 17 year olds, who have no job, no training, no income and no hope" he said.

Bank chief holds out prospect of higher rates, Page 7

China signals thaw over Hong Kong

Continued from Page 1

an invitation China extended last week to Mr Alastair Goodlad, a Foreign Office minister, who will visit Beijing next month.

This is the first British ministerial visit to the Chinese capital for a year. In September a top British business delegation will go to China to try to improve trade relations.

In a related move it was announced yesterday that the Sino-British joint liaison group (JLG) would meet from June 21 to June 23. The JLG – which oversees the transfer of Hong Kong to China and should have met last in March but failed to do so – has a large backlog of technical work to complete.

The forthcoming meeting is expected to seal the terms of a deal whereby the Hong Kong government will refit some military sites in the colony for the use of China's armed forces in exchange for the release of surplus military land for civilian development.

Five-year EU court battle lost in the translation

By Emma Tucker in Brussels

A five-year court battle was lost in translation yesterday when the members of an alleged plastics cartel had fines totalling $27.5m dismissed because of a series of errors by the European Commission.

The European Court of Justice in Luxembourg overturned the fines against a group of 14 PVC companies because of discrepancies between the German, English, and French texts of the commission's decision on the cartel.

The textual differences invalidated the entire legal process, the court said.

It ruled the commission must pay legal costs for itself and the 14 companies. The commission said it is too early to say how large the costs might be.

A further problem was that Mr Jacques Delors, commission president, had signed the original decision, taken in 1988, in only three of the five relevant languages. The process did not stand up in court, the court said yesterday.

"Acts tainted by an irregularity whose gravity is so obvious that it cannot be tolerated by the community legal order must be treated as having no legal effect," said the judgment.

The commission, still determined to impose the fines, hit back yesterday with a decision to begin the process all over again. In a statement it said it proposed to restart the action, "correcting the procedural errors".

Although Mr Delors signed French, German and English versions of the decision, it was delegated to Mr Peter Sutherland, then the competition commissioner, to sign the Dutch and Italian versions.

The court said the papers should only have been signed by the commission's president and executive secretary.

"Far from being, as the commission claims, a mere formality for archival purposes, the authentication of the acts is intended to guarantee legal certainty by ensuring that the text... becomes fixed in the languages which are binding," a court statement said.

"These sorts of mistakes don't happen very often," said the commission yesterday. "We have changed our procedures to make sure it doesn't occur again."

There are no plans to sue any translators, the official added, but one or two civil servants may be ticked off.

The commission works in nine languages and it is not the first time linguistic misunderstanding has come between Europeans. Victor Hugo, the French novelist, once translated the Firth of Forth, the Scottish Estuary, as "Le premier du quatrieme".

THE LEX COLUMN

Hot air from British Gas

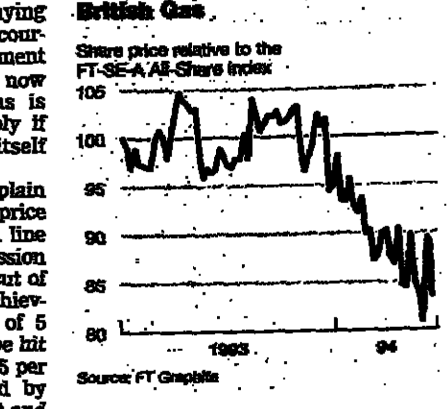
It is time British Gas stopped playing the victim and got on with adding value to its businesses. The company may once have thought that saying how awful things were would encourage the regulator and the government to take a soft line. But it should now be abundantly clear that Ofgas is likely to respond more favourably if British Gas seeks to improve itself than if it moans.

There was really little to complain about in Ofgas's transportation price formula. The rate of return is in line with what the Monopolies Commission recommended. The annual price cut of 5 per cent in real terms seems achievable. Assuming volume growth of 5 per cent a year, the target could be hit by annual efficiency savings of 2.5 per cent. Yet British Gas responded by saying it would curtail investment and find it hard to justify dividend increases.

The reaction is odd. A promised real rate of return of 6.5-7.5 per cent on new investment is not bad for a safe business like gas transportation. Given the growth in demand, curbing capital expenditure looks a bit like cutting off its nose to spite its face. There may be good reasons for freezing or cutting dividends. But it is strange to pin the blame on Ofgas; British Gas last increased its dividend in February – after the government had responded to the MMC report.

British Gas would do better to rise to the challenges ahead. The main tasks are to knock its public gas supply business into shape so it can face the advent of competition in the domestic market and to improve efficiency in the transportation business. Until British Gas communicates strategies to achieve both tasks, its share price will remain subdued.

FT-SE Index: 3045.8 (+6.2)



Source: FT Graphite

UK economy

So it looks as though there was nothing to worry about in average earnings after all. The apparent upward drift was just a blip caused by bonus payments to all those City folk who spend their time predicting the inflation rate. Moreover, the UK's productivity performance is still encouraging. Unit labour costs were up only 1.9 per cent in the year to April compared with 2.2 per cent in March. At some stage, as Mr Eddie George pointed out at the Mansion House last night, interest rates will have to go up again. On the basis of such figures he would have trouble arguing that it must be soon.

If gilts initially reacted to the figures with a strong rally, equities seemed a little more grudging in their welcome. Perhaps the share market's concern is that the recovery may not be quite so strong after all. Certainly the sharp fall in the workforce during the first quarter is food for thought. Today's retail spending figures will provide a further pointer to the state of the economy. In turn, that may complicate the political debate over tax cuts.

A faltering recovery and an absence of inflationary pressure might make tax cuts appear more acceptable. But with world bond markets still uneasy, the authorities have to worry about the ability of the gilts market to absorb new issues. It will not have escaped their attention that by yesterday evening gilts' positive mood on inflation was already giving way to nervousness ahead of tomorrow's auction announcement.

Thames Water

Yesterday's 2 per cent fall in Thames' shares cements its position as the worst performing water company since privatisation. The shares were priced on a yield discount to the sector in 1990 but now stand at a yield premium. The miserable performance of Thames' diversification strategy is partly to blame. Including yesterday's write-off, it has invested around £170m in businesses which will do well to cover their costs this year. As Thames acknowledged yesterday, the full year dividend would have been higher had it stuck to its knitting as a utility.

The cost in terms of lost management time is more difficult to quantify but potentially just as damaging. Studies commissioned by Ofwat, the industry regulator, show Thames to be among the least efficient in the sector, even though it charges customers less than its peers. While the company disagrees with Ofwat's conclusions – and demonstrated admirable control of operating costs last year – it may be too late to stop the regulator setting tough efficiency targets for the second half of the decade. Unless the non-utility side is by then showing marked improvement, Thames could find itself fighting a war on two fronts.

NFC

It looks as though Mr Peter Sherlock's honeymoon period as chief executive of NFC is over. Yesterday's 10 per cent fall in the shares after interim figures only marginally below consensus expectations suggests the market is growing impatient for his restructuring of the company to bear fruit. The new business put on in the UK during the first half may well take time to show through to profits. But it is striking that both turnover and profits were virtually flat in UK transport and logistics at a time when the recovery was supposedly gathering pace. Indeed profits would have fallen across the group as a whole without the smaller loss at the peripheral Lynx parcels division and the increase in the pension credit, whose future depends on actuarial whim. Maybe the share price would have been spared yesterday's shock in the days when NFC used to make routine profit forecasts, but it is unlikely to outperform till Mr Sherlock delivers the goods.

Glaxo

Glaxo's market capitalisation has increased forty-fold since Sir Paul Girolami stepped into the chief executive's shoes in 1980. Yet the £10bn decline in the company's value over the past two and a half years reflects a tougher environment than the free-wheeling 1980s. Margins are under pressure and volume growth is harder to come by. Sir Paul's decision to retire as chairman is therefore timely. His instinctive dislike of acquisitions does not sit comfortably with Glaxo's need to position itself in a changing market, or its prodigious accumulation of cash. A large acquisition in US healthcare is not the only answer. But shareholders will give Sir Paul a double vote of thanks if the company he built now finds it easier to adapt.

FT WEATHER GUIDE

Europe today

A westerly stream of air will cover northern Europe, while southern and south-western Europe will be affected by high pressure. Finland will have rain. Sweden will be sheltered from the rain by the Norwegian mountains, bringing sunshine and occasional showers. France and Spain will be warmer, with tropical conditions over the interior of Spain. South-eastern Europe will have unsettled conditions. Greece, western parts of Turkey, and the Balkan states will have thunder storms. Poland, Germany, and the Alps will have clear spells with occasional showers.

Five-day forecast

A surge of warm air from Spain will flow northwards and conditions will be warmer over France, Germany, and the Benelux. Cooler air will flow from the Atlantic, bringing thunderstorms over Spain, France, the Benelux, and Germany. Northern Europe will have unsettled conditions, while the south-east will be warmer.

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	41
Accra	shower	29
Algiers	sun	30
Amsterdam	fair	17
Athens	sun	26
Atlanta	fair	33
B. Aires	cloudy	17
B.ham	fair	20
Bangkok	cloudy	34
Barcelona	sun	26
Beijing	fair	34
Belfast	cloudy	17
Belgrade	sun	26
Berlin	fair	18
Bermuda	fair	30
Bogota	fair	19
Bombay	rain	28
Brussels	fair	20
Budapest	fair	24
C.hagen	fair	16
Cairo	sun	39
Cape Town	sun	21
Caracas	cloudy	28
Cardiff	fair	19
Casablanca	sun	22
Chicago	thund	33
Cologne	fair	19
Dakar	fair	27
Dallas	fair	33
Delhi	fair	40
Dubai	sun	40
Dublin	cloudy	19
Dubrovnik	fair	29
Edinburgh	fair	19
Faro	sun	23
Frankfurt	fair	22
Geneva	sun	28
Gibraltar	sun	25
Glasgow	shower	17
Hamburg	cloudy	16
Helsinki	shower	16
Hong Kong	rain	30
Honolulu	fair	31
Istanbul	shower	20
Jakarta	cloudy	31
Jersey	fair	19
Karachi	sun	41
Kuwait	sun	44
L. Angeles	sun	24
Las Palmas	sun	25
Lima	cloudy	22
Lisbon	sun	30
London	fair	22
Lux.bourg	fair	22
Lyon	sun	26
Madeira	fair	23
Madrid	sun	34
Majorca	sun	28
Malta	sun	18
Manchester	fair	17
Manila	shower	33
Melbourne	cloudy	15
Mexico City	shower	21
Miami	fair	32
Milan	sun	28
Montreal	fair	30
Moscow	fair	23
Munich	fair	23
Nairobi	fair	22
Naples	sun	23
Nassau	fair	32
New York	fair	32
Nice	sun	25
Nicosia	sun	30
Oslo	fair	18
Paris	fair	26
Perth	fair	21
Prague	fair	20
Rangoon	rain	30
Reykjavik	fair	11
Rio	cloudy	20
Rome	sun	24
S. Frsco	sun	20
Seoul	sun	31
Singapore	thund	32
Stockholm	fair	19
Strasbourg	fair	26
Sydney	cloudy	18
Tangier	sun	25
Tel Aviv	sun	33
Tokyo	fair	25
Toronto	fair	32
Vancouver	rain	17
Venice	sun	29
Vienna	sun	23
Warsaw	fair	15
Washington	fair	33
Wellington	cloudy	10
Winnipeg	cloudy	23
Zurich	sun	28

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Amsterdam aims to get in front

The Amsterdam stock exchange is hoping an overhaul of its equity trading system will re-establish its position as the principal marketplace for Dutch stocks. Page 17

Swedes sell Suttons Seeds to French
Vilmorin, the French company which is the world leader in garden seeds, yesterday continued its international expansion by agreeing to buy Suttons Seeds in the UK from Volvo, the Swedish motor group. Page 16

Begemann wants speedy rail deal
The Netherlands-based Royal Begemann group wants to complete the purchase of Deutsche Waggonbau (DWA), the east German rolling-stock manufacturers, "as soon as possible". Page 18

Australian group faces break-up bid
A break-up bid was launched last night for Foodland Associated, the troubled Western Australian retail, wholesale and property group. Page 18

El Al at historic point
Israel's decision to sell El Al, the country's state-owned airline, to the public by December marks a critical turning point in the company's history and a landmark in the government's creeping privatisation programme. Page 18

Swift cuts joining fees
Swift, the cross-border payment message network owned by 2,230 banks, announced cuts in fees for joining the network in an effort to boost its use among smaller banks, securities houses and other financial institutions. Page 19

Egyptian contracts hit Thames Water
Thames Water, the largest of the UK privatised water companies, announced a 4 per cent fall in pre-tax profits after losses in contracting businesses and restructuring costs. Page 20

BT deal with MCI cleared
US regulatory authorities cleared the $5.3bn alliance between British Telecommunications and MCI, the second largest long-distance carrier after a year-long investigation. Page 20

CE Heath hit in the Antipodes
Provisions against losses on Australian workers' compensation business have hit profits at CE Heath, the UK insurance broker. Page 21

Perkins buys Dorman Diesels
Perkins Group is buying Dorman Diesels, one of the oldest and most famous names in the diesel engine industry. Page 22

Different news for UBS staff
In recent years London staff of UBS, part of the Union Bank of Switzerland, have become used to hearing news of market share gains. However, this January staff were greeted with a different message. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Heidelb Zem	1280	+	20
Thyssen	283.3	+	10.3
Falls			
Colonia Konzern	1240	–	40
Karstadt	600	–	18
Mannesmann	412	–	14.3
Rheinmetal Ber	307	–	13

NEW YORK ($)

Rises			
Appl Materials	42	+	1½
Geon	28¼	+	1¼
Oracle	37⅝	+	1¼
Scott Paper	53½	+	2⅛
Falls			
Mobil	83⅝	–	1
Snapple	23½	–	1

New York prices at 12.30pm.

PARIS (FFr)

Falls			
Bancaire Comp	524	–	20
Bouygues	604	–	20
CGIP	1180	–	42
Cred Lyon	580	–	18
Essilor Int	670	–	24
Fonc Lyonnaise	810	–	40

TOKYO (Yen)

Rises			
Fujitsu Kiden	2020	+	180
Meiji Shipping	650	+	70
Nippon Gear	570	+	50
Sanaki Glass	589	+	55
Tokpe	770	+	79
Falls			
M'bishi Heavy	798	–	14

LONDON (Pence)

Rises			
Gestetner	175	+	7
Glaxo	585	+	22
Hadleigh Inds	116	+	10
Lookers	279	+	15
Mansfield Brew	203	+	8
Shiloh	145	+	5
Wellcome	618	+	24
Zeneca	727	+	19
Falls			
AMEC	105	–	5
British Gas	271½	–	17
Burndene Inv	47	–	5
Daily Mail A	1115	–	60
Eastern Elect	592	–	18
Eurotunnel Uts	317	–	11
London Elect	571	–	16
NFC	196	–	21
Southn Business	42	–	32
Wagon Indl	463	–	13
Weir Group	286	–	12
Wheeloe	143	–	8
Wilson Bowden	431	–	14

Cott's shares dive 20% on financial fears

By Bernard Simon in Toronto

Cott Corporation, the Canadian soft drink maker which has led the private-label assault on Coca-Cola and PepsiCo, lost more than a fifth of its market value early yesterday amid a conflicting swirl of rumours and opinions about its financial condition.

At mid-morning, Cott shares were trading at C$20.75 on the Toronto Stock Exchange, down from Tuesday's close of C$25. The shares had lost C$2 the previous day.

Cott's private-label products have been remarkably successful in eroding Coke and Pepsi's market share in North America, Australia, South Africa and, most recently, the UK.

But questions frequently surface in analysts' reports and the press about the company's financial stability. Much of the criticism is based on its accounting practices, which in turn has raised scepticism about the quality of its cash flow and earnings.

For instance, Cott classifies its contracts for supermarket shelf space as assets, while Coke and Pepsi treat these fees as expenses. Critics contend that a minority stake in a US company, which Cott bought from some of its own executives last year, should have been treated as compensation expenses instead of as an asset.

Concern about its financial condition was heightened by reports on Cott's presentation to analysts in Toronto on Tuesday. Some participants criticised the company for not yet publishing its annual report for the year to January 1994. Under Ontario securities rules, the deadline for filing the report is next Monday.

Lehman Brothers, the New York securities firm, yesterday lowered its rating on Cott to "neutral" from "buy".

Others, however, contend that fears about Cott's stability are based more on rumour than fact. Mr Robert Mason, analyst at Richardson Greenshields in Toronto, ascribed the drop in the share price mainly to rumours spread by short-sellers, mostly in the US.

"Many accountants who have taken the time to understand the underlying transactions agree that it is following the appropriate practices," he said. "But the fact that it's not the same as Coke, Pepsi and the bottlers makes some people nervous."

Mannesmann falls on inquiry into Dieter allegations

By David Waller in Frankfurt

Shares in Mannesmann, the German steel pipes to mobile phones group, continued to suffer yesterday in the aftermath of allegations surrounding the private business activities of Mr Werner Dieter, outgoing chairman of its management board.

The shares dropped DM16.20 to DM410, nearly 4 per cent, after it emerged that the Düsseldorf state prosecutors' office had launched a preliminary investigation into allegations about Mr Dieter's affairs.

Shares in the Düsseldorf-based group have fallen from DM446 on Monday after the Spiegel news magazine alleged that a subsidiary of the Mannesmann group had been put under pressure to buy components from Hydac, a company allegedly majority-owned by Mr Dieter and his family, at prices higher than market rates.

The magazine claimed that Mannesmann, one of Germany's largest industrial companies, had suffered losses running into millions of D-Marks as a result. Mr Dieter, 64, has issued two statements, denying any impropriety and claiming he told the Mannesmann supervisory board about his connection with Hydac in 1968. All transactions between Hydac and Rexrodt, the Mannesmann subsidiary at the centre of the allegations, were conducted on an arms' length basis, Mr Dieter claimed.

The Düsseldorf state prosecutors' office said its investigations had not yielded evidence of actions on Mr Dieter's part which could lead to a prosecution. Mannesmann said yesterday that it had not heard from the prosecutors' office.

Mr Dieter, credited with leading Mannesmann away from its traditional steel pipes manufacturing activities to car components production and telecommunications, alleged that he was a victim of a smear campaign to block his promotion to head of the Mannesmann supervisory board. The group's annual meeting will vote on his move to the supervisory board next month.

Mr F. Wilhelm Christians, the former Deutsche Bank chief executive who is chairman of the Mannesmann supervisory board, has not yet publicly responded to the Spiegel's allegations.

In spite of losses of DM513m last year, Mannesmann's shares have been among the best performers of the past 18 months, reflecting foreign investors' enthusiasm for the group's expansion into mobile telephones.

Suez completes sale of Victoire

By Alice Rawsthorn in Paris

Suez, the French industrial and financial holding company, yesterday completed the sale of Victoire, the insurance business, by agreeing terms for the sale of the latter's Abeille Ré reinsurance subsidiary to Scor, France's largest reinsurance group, in a deal worth more than FFr2.1bn ($368m).

The Abeille Ré deal, which follows Friday's announcement that Suez was selling the rest of Victoire to the UK's Commercial Union for FFr12.5bn, is a complex cash and paper transaction that forms part of Suez's long-term policy of rationalising its interests.

Scor, which has in recent years adopted an aggressive strategy in the reinsurance field, has agreed to pay FFr1.4bn in cash for Abeille Ré.

It will also cede 19 per cent of its equity to Suez, which will then become its second largest shareholder after Union des Assurances de Paris.

Mr Patrick Peugeot, chairman of Scor, valued the 19 per cent stake at "somewhere between" the FFr700m market value of the shares and their FFr1bn book value.

He said the deal was "completely compatible with our strategy of increasing our market share and of strengthening our balance sheet".

Abeille Ré is a large force in French reinsurance with annual premium income of FFr4bn. The acquisition should enable Scor to increase its own premium income to FFr15bn next year and to raise its share of the French market to around 17 per cent.

Mr Peugeot said it would become the world's fifth largest reinsurance group.

For Suez the sale of Abeille Ré and the rest of Victoire has left it with FFr12bn to invest. Mr Gérard Worms, chairman, said some of this capital would bolster the finances of its banking subsidiaries – Banque Indosuez and Sofinco in France, and Générale de Banque in Belgium.

The rest of the capital will enable Suez to expand again by making new investments, principally by buying majority or "key" holdings of at least 20 per cent in industrial companies.

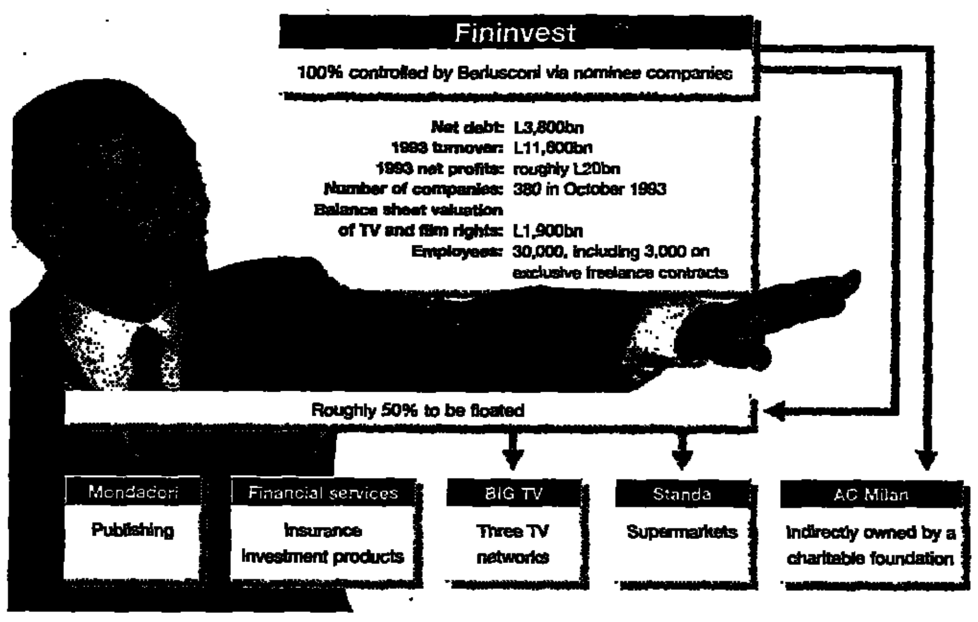
Mr Worms confirmed that he saw 1994 as a "year of transition" for Suez, which in 1993 returned to the black with a net profit of FFr1.57bn after its first ever-loss in 1992.

He anticipated more robust growth for 1995 with a "significant improvement" in the group's profitability.

Robert Peston reports on the extensive reorganisation of the Italian prime minister's debt-laden corporate interests

Untangling begins at Berlusconi business

How the empire will look



The reorganisation of Mr Silvio Berlusconi's extensive and debt-encumbered business empire is probably as challenging as sorting out Italy's budgetary morass.

In the prime minister's private affairs, a start has been made. The public offer in the flotation of 53 per cent of his publishing interests, Mondadori, is launched today, with the shares priced at L1,500, the top end of the underwritten price range.

The L990bn ($615m) proceeds will cut debt at Mr Berlusconi's main holding company, Fininvest, Italy's biggest media group and one of its three biggest private sector companies. Net borrowings stood at L3,800bn at the end of 1993, or around L4,500bn gross. Italian bankers believe the overall figure would be higher if off-balance sheet liabilities were included.

The Mondadori sale is the easiest part of the Fininvest restructuring. As it already had a stock market quotation (with a nominal amount of shares owned by outside investors), it was less opaque than other Berlusconi businesses. Acquired in 1991, it had retained some financial and managerial autonomy – although flotation was delayed until loans it had made to other parts of Fininvest could be repaid.

Nonetheless, Mr Franco Tato, who was moved from Mondadori to become Fininvest's managing director in October, sees Mondadori as the model for untangling the group. The aim is that, within three years, Fininvest will become a holding company, with a tiny staff, owning stakes of around 50 per cent in independent quoted companies.

"The financial services business [insurance and investment products] will probably be floated, with us selling around 50 per cent of the shares, some time this year or early next," Mr Tato said. "Any disposal of TV interests [three TV networks] will come last in the restructuring process."

The timetable and disposal method for the supermarket chain Standa are less certain, because it requires substantial investment to modernise its network of 550 stores. Fininvest executives say an early sale would yield inadequate proceeds.

This radical reorganisation is necessary because Fininvest expanded too fast in the late 1980s and early 1990s, taking on too much debt at the onset of recession. After-tax profits last year, yet to be formally disclosed, were similar to the previous year's L21.1bn – trivial in relation to turnover of around L11,600bn.

Fininvest would probably have incurred losses under more conservative accounting policies, according to analysts. They say there is a case for the group making bigger provisions to cover depreciation in the value of its TV and film rights – booked at L1,900bn in the year-end balance sheet – although Fininvest believes this understates the true value of the library.

Analysts' concerns have also been prompted by a letter from auditors Arthur Andersen to the Fininvest board, in which Andersen criticised the 1992 accounts for failing to include adequate provisions against three contingent liabilities:

- a L172bn potential tax liability on capital gains, although Fininvest is confident this will never be crystallised;
- a potential liability relating to L437bn owed by associate companies on rights they had purchased;
- the risk of losses on a L92bn exposure to Telepiu, a pay television station yet to make profits, in which Fininvest has a 10 per cent stake.

However, Mr Oliver Novick, Fininvest's director for corporate strategy, said the main difficulty for the group was not so much the magnitude of liabilities and borrowings, but the location of debt within the complex corporate structure.

"The problem is that most of the debt is in the top company, while the cash flow is in the operating companies," said Mr Tato.

In Italy there is no concept of consolidated profit in tax law. Each company within a group is assessed for tax separately. So it is tax inefficient for Fininvest to have substantial interest and other costs in its top company and cash flows in other companies. "We have got to put the debt in the operating companies, but it is not an easy matter," said Mr Novick.

In the past, Mr Berlusconi attempted to minimise the tax burden by constantly creating new companies, in which assets and liabilities from other parts of the group would be merged, so that losses generated in one business could offset profits generated elsewhere.

Fininvest will become a holding company with a tiny staff

The result, however, was a proliferation of legal entities. When Mr Tato arrived in October, there were 380 companies in the group, many of them offshore vehicles. "We are reducing this number to below 340," he said.

The reorganisation is further complicated by the existence of substantial intercompany loans. Surplus cash was lodged with an internal "bank", Istifi. Standa had L600bn of deposits with Istifi at the end of last year.

Even the financial services businesses had deposits with Istifi, though far smaller than Standa's. "We have agreed we will no longer administer deposits [or take loans] from Standa," said Mr Tato.

Fininvest's management is also burdened with requests for information from magistrates, who are investigating allegations that Fininvest or companies linked to it may have been involved in paying bribes to politicians or in other forms of financial malpractice. "We have provided magistrates with 800,000 photocopies of our documents", Mr Tato said.

The allegations – faced in differing degrees by most of Italy's biggest companies – relate to a period long before Mr Tato became managing director. Mr Berlusconi appointed him in response to bankers' requests that there be a professional manager to complement his own entrepreneurial qualities.

Having become prime minister, Mr Berlusconi has now delegated all day-to-day decision making to Mr Tato. But his departure has in some ways weakened Mr Tato. If Mr Tato faces opposition to his plans from long-serving Fininvest executives, he can no longer call on Berlusconi's backing to overcome their resistance. He said: "I consult Mr Berlusconi only on matters concerning his position as the majority shareholder".

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Glaxo faces new era as Girolami steps down

By Daniel Green in London

Sir Paul Girolami, who brought US-style revenues – and salaries – to the UK pharmaceuticals industry, is stepping down as chairman of Glaxo.

His gives up executive powers at the end of this month – Glaxo's financial year-end – after a quarter of a century on the board, the last nine years as chairman. He will leave the board, and his £1.4m ($2.1m) annual pay package, at the annual meeting on November 18. His departure marks a change in the company's direction.

The past 13 years growth have moved Glaxo from a diversified also-ran to a tightly focused prescription drugs group at the top of the industry.

He became chief executive in 1980, a year before the launch of ulcer treatment Zantac, now the world's biggest selling drug. Glaxo emerged from a period of declining fortunes in the late 1970s so rapidly that, by 1983, annual profits growth of more than 50 per cent was greeted with disappointment.

He brought an unprecedented emphasis on marketing to the scientific world of drug prescribing.

Glaxo's prospects are less certain than at any time since the 1970s. Changes in healthcare management, designed to control public spending, have prompted other giants of the industry to reorientate themselves.

Sir Paul's job was, in retrospect, mainly to manage growth. Whoever takes over will face the more complex task of changing the course of a healthcare supertanker steaming towards an uncertain future.

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Metsä-Serla profits climb sharply despite lower sales

By Hugh Carnegy in Stockholm

Metsä-Serla, the Finnish forestry group, yesterday reported a brisk rise in profits after financial items in the first four months of the year to FM151m ($27.4m) from FM108m in the same period last year.

The improvement came in spite of a small fall in net sales to FM2.88bn from FM3.02bn.

Metsä said delivery volumes for many products had risen sharply and prices had bottomed out, with the prices for market pulp, fine paper and sawn goods in particular rising quite quickly. But some of the lift provided last year by the sharp devaluation of the Finnish markka had been eroded by a strengthening of the currency this year.

Export prices were 5 per cent down in Finnish markka terms during the period, compared with last year.

Operating profits for the paper and paperboard sector fell to FM56m from FM193m, but Metsä said this reflected the start-up in January of a film-coated offset production line at the Kirkniemi paper mill.

Operating profits for corrugated board, tissue and chemicals were down at FM116m, compared with FM156m. But the sawn goods and pulp division saw operating profits rise to FM112m from FM71m.

Net financial expenses fell to FM72m from FM249m as net interest charges more than halved, to FM107m.

Metsä said it expected demand to grow in the US and the UK this year, with a slow recovery in western Europe. Finnish markka prices were unlikely to change over 1993, but the group expected a better result than the FM269m profit returned last year.

Meridien Hotels decision faces delay beyond board meeting

By John Ridding in Paris

A decision on the Meridien Hotels chain, owned by Air France and courted by Forte, the UK hotels group, and Accor, the French travel group, is likely to be delayed beyond today's board meeting of the French state-owned airline, officials indicated yesterday.

A June 30 deadline has been set for the bidding process, but the sensitivity of the sale has resulted in a series of delays.

A decision was first expected on April 28, but the rival bids were referred instead to France's privatisation commission, an independent body which advises the French government.

Today's board meeting had been set as another date for the announcement of the decision. But sources close to the sale said that no decision has yet been reached on the two bids.

Forte's is the higher bid, valuing the Meridien chain at FFr1.8bn ($305m) compared with FFr1.6bn offered by Accor and its partner, Prince Al-Waleed Bin Talal of Saudi Arabia. Meridien management has said it prefers the Forte offer, but political pressure has been brought to bear to keep the luxury hotels chain under French control.

Air France, which suffered losses of FFr8.48bn last year, needs to raise as much cash as possible to reduce its debts.

The European Commission, which is examining a FFr20bn capital injection for the ailing airline, will pay close attention to the financial terms of the deal.

NKT subsidiary expands into US with DKr650m purchase of rival

By Hilary Barnes in Copenhagen

Fisker & Nielsen, a subsidiary of NKT Holding, the electro-technical and engineering group listed in Copenhagen, is to acquire Advanced Machine Company of Minnesota, one of its main US rivals, for DKr650m ($100m).

The purchase will make the Danish company the world's largest manufacturer of vacuum clearers, carpet cleaners and floor treatment machinery for professional use.

The new company, which will take the name Nilfisk, after the brand name of Fisker & Nielsen's cleaners, will form a group with a turnover of about DKr2bn and about 2,500 employees.

Fisker & Nielsen is market leader in Europe for industrial and institutional vacuum cleaners. Advance claims second place in the US market.

Advance will become a wholly-owned subsidiary of Fisker & Nielsen. Through an exchange of shares, the deal will give Advance's 11 private shareholders a 16 per cent stake in Fisker & Nielsen, and an option to acquire another 7.5 per cent. The remaining shares will be held by NKT.

A stock exchange listing for the new group within three to five years will be considered, said NKT.

Fisker & Nielsen made a pre-tax profit of DKr94m on turnover of DKr1.14bn in 1993. Advance made a pre-tax loss of DKr45m on sales of DKr610m.

As a consequence of bringing in new shareholders, Fisker & Nielsen will make an extraordinary dividend payment of DKr700m to NKT, the group said.

Vilmorin agrees to buy Suttons Seeds

By Alice Rawsthorn in Paris

Vilmorin, the French company which is the world leader in garden seeds, yesterday continued its international expansion by agreeing to buy Suttons Seeds in the UK from Volvo, the Swedish motor group.

The deal was for an undisclosed sum. It marks an important stage in Vilmorin's development as Suttons is one of the oldest and best-known brand names in the buoyant UK garden products market with a dominant share of the seeds sector.

Vilmorin, which has seed interests in Germany, Spain and Italy, has for some time been eager to expand into the UK. It seized its chance to win control of Suttons when Procordia, the Volvo subsidiary that owns the company, put it up for sale as part of a long-term policy of shedding peripheral businesses.

Suttons, based at Torquay in Devon, claims 40 per cent of the UK garden seed sales. The seed market has flourished in recent years thanks to the heightened interest in gardening. Suttons in 1993 made net profits of £427,000 on turnover of £15m ($22.7m).

Procordia has for the past 18 months been in discussions with Vilmorin to finalise the deal. The French group, which made static pre-tax profits of FFr70m ($12.3m) on sales of FFr1.12bn in its last financial year to June 30, won control of Suttons against offers from a number of UK companies.

Mr Pierre Lefebvre, chief executive of Vilmorin, said the deal should enable Suttons to improve its performance by accelerating its development under the aegis of its new parent company. Vilmorin, which last autumn joined the Paris secondary market, has a long-term strategy of heavy investment in product development.

The group plans to increase sales in southern and eastern Europe. It intends to expand into south-east Asia, notably Japan, although Mr Lefebvre said it was difficult to find acquisitions in that market.

Wella puts perfume in its basket

The group's 4711 move puzzles analysts, writes Christopher Parkes

Wella, the German haircare group, is to make a decisive move into the perfumes business with the purchase of a 90 per cent-plus stake in Muehlens, best-known for its 4711 eau de cologne brand.

The deal, billed by Wella as the biggest acquisition in its history (although no details of terms were given), follows two strategic purchases in the haircare trade, and coincides with the closing phase of a shake-out in its European manufacturing operations.

Muehlens, a 200-year-old private concern which claims to be German market leader in women's perfumes, had sales of about DM500m ($294m) last year. Apart from the 4711 name, it produces more youthful brands such as Sabatini, Presley and Tosca, and has a global licence to use the Gucci perfume label.

Wella's interests in the sector are concentrated in Rochas, bought in 1988 from Roussel-Uclaf, and which last year contributed DM160m to group sales of DM2.9bn.

Although haircare and perfume products have clear synergies in terms of distribution and target markets, the apparent diversification puzzled analysts, who have been repeatedly told by Wella that its prime aim was to become world leader in haircare.

Already number one in salon products, it ranks fourth behind L'Oréal, Unilever and Procter & Gamble in the retail sector. Last year, it bolstered its presence in US hairdressing salons with the purchase of an 80 per cent majority in Sebastian, a specialist in professional products. It later bought a mainly-British market share with the takeover of the Silvikrin and Vosene brands from SmithKline Beecham.

Meanwhile, Wella pressed ahead with a consolidation plan, in which the number of western European factories was reduced to four from 13. It is cutting global manufacturing bases to just 10 from 30.

Observers believe more haircare acquisitions are likely, which could be slotted in to the group's core manufacturing and distribution business.

Accommodating 4711, a traditional family concern recently torn by filial disputes over its direction, seems likely to be less straightforward. According to statements yesterday from Mr Peter Zühlsdorff, Wella chairman, 4711 is no cash cow and will require work.

While the business should more or less break even this year, he added it would be some years before a steady stream of profits flowed.

While Gucci enjoys prestige status, the flagship eau de cologne name suffers from a faded image, and famous name brands such as (Priscilla) Presley and (Gabriella) Sabatini suffer notoriously from the transient nature of sporting and showbusiness fame.

Even so, Mr Zühlsdorff said the acquisition offered a great opportunity to add to Wella's existing strength in central Europe and exploit more quickly the growth opportunities offered in eastern Europe and Asia-Pacific.

The main question raised by the latest deal is whether it will be followed by more.

According to Mr Peter Harf, chief executive of the private Benckiser cosmetics group, there will be no shortage of bid candidates or offers to sell in the next few years, though he acknowledges that Unilever, L'Oréal and (to a lesser extent) Procter have scooped up dozens of personal product brands in the past 10 years.

NFC shares slip as results disappoint

By Paul Taylor in London

Shares in NFC, the UK transport and logistics company, fell almost 10 per cent, closing 21p down at 198p, after the group reported interim profits slightly lower than expected.

The group also announced that it had decided to retain its loss-making Lynx parcels business as talks with a number of potential purchasers had fallen through.

Pre-tax profits for the group, which is often viewed as an indicator of economic activity, declined to £49m ($73.5m) in the 28 weeks to April 16, down from £86.6m in the year-ago period which included a £50m exceptional profit on the disposal of waste management arm.

NFC said there was "continuing evidence of increased activity in the UK, although there are few signs yet of any improvement in mainland Europe". Earnings per share were 5.8p against 12.9p. The group, which reports quarterly, declared a second interim dividend of 1.5p making a half-year total of 2.9p, up 7.8 per cent.

Profit before tax and exceptional items of £48.8m was 30 per cent ahead, but below most analysts' expectations. Mr Peter Sherlock, chief executive, said NFC's core transport and logistics operations in the UK performed strongly and had added £40m of net new business in the first half.

Group turnover rose 5.3 per cent to £1.03bn from £976.5m. Operating profits grew 13 per cent to £56.5m helped by reduced losses at Lynx, a £2.8m increase in pension credits and £3.5m compensation for the cancellation of a property contract.

Turnover and profits in the UK transport and logistics operations were marginally ahead at £444.1m and £30.2m respectively.

Turnover in the continental European logistics business grew 21 per cent to £90.3m, however the operations posted a first-half operating loss of £1m, compared with a £300,000 profit.

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Baring underwrites Portuguese offering

By Peter Wise in Lisbon

Foreign institutions, led by Baring Brothers, have underwritten 47 per cent of a public offer of 20 per cent of Cimpor, Portugal's largest cement producer.

The remaining 53 per cent has been underwritten by Portuguese institutions led by Banco Fomento e Exterior, confirming that the state will raise at least Es40bn ($229m).

The offer is seen as a test of investor interest in Portuguese privatisations before sales of stakes in the telecommunications and power utilities.

A further 20 to 25 per cent of Cimpor is to be sold on foreign stock exchanges later this year, followed by the sale of another 20 to 30 per cent in Portugal in 1995. No single investor may buy more than 5 per cent of Cimpor's total capital in the first operation.

Mövenpick plans payout

By Ian Rodger in Zurich

Mövenpick, the Swiss restaurants and hotels group, is restoring its dividends as its recovery from a loss and management crisis in 1991 continues to gather pace.

Mr Ulrich Geissmann, chief executive, said sales had fallen 3.6 per cent in the first five months of the year, but profits continued to recover due to cost cutting.

Mr Geissmann said that in the full year "a further considerable rise" in net income could be expected from last year's 32 per cent rise to SFr8.6m ($6.05m). The directors were recommending dividends of 8 per cent on the shares and participation certificates. Dividends were last paid in respect of 1990.

● Rosenbauer International, the Austrian family-owned maker of fire-fighting vehicles for many of the world's airports, is planning an initial public offering of new shares in September.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.14	10.70	10.70
0100	10.50	10.75	10.75
0130	10.50	10.75	10.75
0200	10.50	10.75	10.75
0230	10.50	10.75	10.75
0300	10.50	10.75	10.75
0330	10.50	10.70	10.70
0400	10.50	10.70	10.70
0430	10.50	10.70	10.70
0500	10.50	10.70	10.70
0530	9.82	11.05	11.05
0600	10.50	11.05	11.05
0630	10.50	11.05	11.05
0700	16.99	15.28	19.19
0730	24.73	22.95	26.89
0800	24.78	24.45	28.40
0830	24.92	24.49	28.44
0900	25.29	25.48	29.43
0930	35.51	35.88	39.86
1000	35.70	35.90	39.87
1030	36.67	25.45	29.41
1100	28.02	25.43	29.39
1130	28.19	25.42	29.38
1200	32.09	25.41	29.37
1230	31.90	25.38	29.34
1300	31.50	25.36	29.30
1330	25.47	24.42	28.35
1400	24.94	23.79	27.72
1430	24.88	23.78	27.71
1500	24.84	23.78	27.71
1530	24.82	23.20	27.13
1600	24.86	23.78	27.71
1630	24.96	35.39	39.31
1700	31.36	35.39	39.32
1730	31.30	35.38	39.31
1800	31.18	35.38	39.31
1830	28.50	22.88	26.81
1900	24.73	32.94	26.87
1930	24.73	22.31	26.24
2000	24.73	22.31	26.24
2030	22.33	22.31	26.24
2100	34.60	22.31	26.24
2130	34.60	40.00	43.93
2200	34.60	40.00	43.93
2230	34.60	26.06	29.99
2300	20.86	22.88	26.78
2330	20.66	16.89	20.75
2400	17.31	13.07	13.07

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between [illegible] and [illegible] Monday to Friday.

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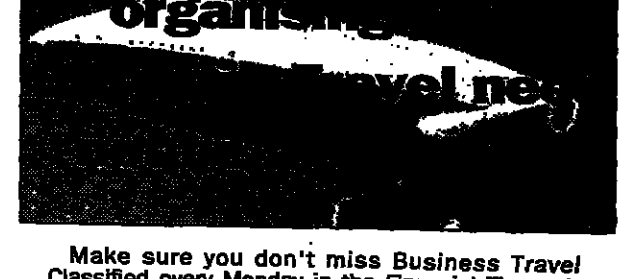


EDS wins $3.2bn Xerox outsourcing contract

By Louise Kehoe in San Francisco

Electronic Data Systems (EDS), the computer services company owned by General Motors, has won a $3.2bn, 10-year contract to take over operation of Xerox's computer and telecommunications network.

The "outsourcing" contract is believed to be the largest of its kind, and the first to encompass the worldwide information management operations of any company.

Under the arrangement, EDS will assume responsibility for Xerox data-processing, telecommunications and computer network services in 19 countries, and provide and maintain the computer applications that support Xerox's internal business processes.

It will take control of data centre operations, including the main ones in the US, the UK and Brazil; worldwide voice and data communications; desktop systems support; and existing business-support applications.

Xerox will retain responsibility for determining the architecture of its computer systems, strategy and new program development. It will also continue to service and support its customers.

Some 1,700 Xerox employees, including 1,400 in the US and 750 in the UK, will transfer to EDS over the next 18 months.

Xerox has taken the unprecedented step of outsourcing almost all its information management operations to "focus resources on our core business of document processing, which is critical to ensure our continued success in a fiercely competitive industry", said Mr Paul Allaire, Xerox chairman. He said the outsourcing arrangement would cut costs.

"This is the first truly global commercial information-management outsourcing arrangement and provides an opportunity for EDS to showcase its proven capabilities," said Mr Les Alberthal, EDS chairman, president and chief executive.

The Xerox contract follows EDS's recent $1.5bn order to handle computer operations for the Inland Revenue, the UK tax authority.

Citibank leads the way in Mexico

By Richard Waters in New York

Citibank, part of the US banking group, is the first foreign bank to apply for a licence to operate as a full-service financial institution in Mexico.

Under the North American Free Trade Agreement, ratified last year, US banks are permitted to carry out a wide range of activities in Mexico under the auspices of a locally-incorporated holding company.

Citibank said it had applied to create a holding company in Mexico with minimum capital of 1bn pesos ($296m), making it the first foreign bank to take this step. It plans to develop securities broking and leasing businesses, as well as a banking operation.

Citibank already has five bank branches in Mexico City and one in Monterrey, offering mainly retail banking services.

● Bankers Trust of the US yesterday became the latest in a long line of international banks to open representative offices in Beijing, writes Tony Walker in Beijing.

The bank said the new office represented Bankers Trust's commitment to China and to Asia. "These 10 or more years of economic success and mounting international investor interest have converged to make China one of the most attractive and fastest growing financial markets in the world," it said.

Tartikoff lured to top position at New World

By Martin Dickson in New York

Mr Brandon Tartikoff, who has a reputation as one of the most talented US entertainment industry executives, was named yesterday to the top production post at New World Communications – the media group which shocked the television business last month when its stations switched affiliation to the upstart Fox network owned by Mr Rupert Murdoch.

The move is a considerable coup for New World, a media group which forms part of the empire of Mr Ronald Perelman, the New York investor and head of the Revlon cosmetics group.

New World owns television stations but is also keen to build up its film production business, called New World Entertainment, which has produced several hit television series.

Mr Tartikoff rose to prominence at the NBC television network, where he was chairman of the entertainment group and helped the network to six consecutive seasons as number one in prime time.

He left there to head Paramount Pictures, the Hollywood film studio, but resigned abruptly in 1992 to spend more time with his daughter, who had been injured in a car accident.

Since April last year he has been president of Moving Target Productions, his independent production company, which is to be acquired by New World. As part of last month's deal, Fox agreed to invest $500m in New World and work with it to develop syndicated programming, as well as prime time series and movies for Fox.

Mr Perelman and Mr Bill Bevins, chief executive of New World, approached Mr Tartikoff about the job after forming their alliance with Fox.

Mr Tartikoff said he had been impressed by the vision they shared of the changing television world, their financial resources, and their access to 40 per cent of US homes through the Fox deal.

Amsterdam prepares to fight back

The exchange wants to return to the top, writes Antonia Sharpe

Flush with its recent success in clawing back business in Dutch government bonds from London, the Amsterdam stock exchange is hoping that an Fl 8m ($4.34m) overhaul of its equity trading system will re-establish its position as the principal marketplace for Dutch stocks.

The most important part of the reform is the decision to abolish Amsterdam's old-fashioned system of jobbers or *hoekmen*, whose inability to satisfy the large-scale trading demands by international investors resulted in the flight of such business to London.

According to Mr Paul Arlman, the secretary-general of the Amsterdam Stock Exchange, between 40 and 60 per cent of block trades in Dutch stocks are done in London, although many of these transactions are later unwound in Amsterdam.

Last year, £22.3bn ($33.45bn) worth of business in Dutch stocks was executed in London compared with £43.5bn worth of turnover in Amsterdam. The lion's share of the turnover in London was on the Stock Exchange's automated Seaq International system.

Mr Thom Hoedemakers, a spokesman for the Amsterdam stock exchange, says the exchange aims to reduce London's market share to around one-quarter from its current position of one-third. The new systems, which come into operation on October 1, will effectively divide Amsterdam into two markets, one for wholesale business and the other for retail investors, who own around 40 per cent of Dutch equities.

Amsterdam's old-fashioned system of jobbers will be abolished

The stock exchange will offer the wholesale market two systems, an order-driven and screen-based trading system called Aida through which orders can be executed automatically and with a high degree of anonymity. Those wishing to trade outside the system can advertise their prices on Asset, a screen-based system, which aims to compete with Seaq International.

Although the *hoekmen*, who will act as US-style stock specialists, will have access to the wholesale market, they are likely to trade mainly in the retail market. Senior managers at leading stockbrokers in London, which are also members of the Amsterdam Stock Exchange through their Dutch subsidiaries, say the removal of the central role of the jobbers is the most sensible feature of the reforms. "There will be a greater incentive to trade, or report trades, in Amsterdam as a result," says the head of European trading at a leading UK bank.

Brokers warn, however, that the diverse trading systems which Amsterdam has put in place must quickly prove that they can produce more competitive prices than London, since the flow of order-driven business will always be dictated by price. Some point out, for example, that prices on Asset are likely to be even less firm than on Seaq.

In addition, they believe that Amsterdam will have difficulty in recouping business in the large Dutch stocks, such as Royal Dutch and Unilever, since they have been trading on an international basis for such a long time. However, they say that the exchange will have a far higher success rate in attracting back business in second-line stocks, such as Aegon or Ahold, which are also actively traded in London.

Third-quarter improvement at RH Macy

By Frank McGurty

R.H. Macy, the US retailer struggling to emerge from Chapter 11 bankruptcy protection, said it was encouraged by the steady improvement in its underlying performance in the third quarter.

The department store chain announced a 32 per cent jump in earnings before interest, taxes, depreciation and amortisation to $34.9m for the three months to the end of April, against $26.5m a year earlier. The net loss was $157.8m against a $227.9m deficit recorded in the year-earlier quarter.

BCE to form directories link with HK Telecom

By Bernard Simon in Toronto

BCE, the Canadian telecommunications group, is expanding its international directories business by forming a joint venture with Hongkong Telecom.

The new unit, whose revenues are expected to total US$1bn over the next decade, will publish telephone directories, including Yellow Pages, for Hong Kong. BCE will provide management and technical services.

Mr Thomas Bourke, president of Tele-Direct, a BCE subsidiary, said that the Hong Kong directories market was one of the fastest-growing in the world, and that the link with Hongkong Telecom would open doors elsewhere in south-east Asia and China.

Hongkong Telecom is 58 per cent owned by Cable and Wireless, which last year brought in BCE as a 20 per cent shareholder in Mercury Communications, the UK telephone company controlled by Cable and Wireless.

BCE is already active in the directories market in North America, the Middle East, Australia and India. Yellow Pages now attract about 9 per cent of total advertising spending in Canada.

Poor trend continues at Heinz

By Frank McGurty in New York

H. J. Heinz said sales slumped in the final three months of its fiscal year to April 2, as the US food group continued a string of disappointing performances. The company, headed by Mr Tony O'Reilly, the Irish businessman, also showed a sharp decline in underlying earnings.

The 4 per cent downturn in revenues to $1.95bn, compared with $2.03bn in the same quarter last year, reflected operational difficulties and unfavourable trading conditions.

Heinz's strong presence in overseas markets heightened the impact of negative currency fluctuations. More troublesome, however, was a 4 per cent deterioration in sales volume, after two consecutive quarterly gains.

The decline in the three months partly stemmed from a failure to revive its Weight Watchers businesses during the January and February period.

However, Heinz's food-service business recorded higher sales volume for the quarter and the company raised prices on most of its core products.

Nevertheless, at the operating level earnings of $200.3m represented a big decline from the previous year, if a $192m restructuring charge is added back to the 1993 results. With the provision held out, Heinz earned $54.3m a year ago at the operating level.

The comparison would have been even more unflattering if the company had not reduced selling, general and administrative expenses by more than 7 per cent from the year-earlier quarter.

Net income amounted to $129m, or 51 cents, against $69m, or 27 cents, a year earlier. However, the restructuring charge reduced the 1993 result by 43 cents a share.

For the year, net income was $602.9m, or $2.35, including gains of 24 cents on disposals, against earnings of $396.3m, or $1.53, including a provision of 45 cents for restructuring and a charge of 51 cents to reflect accounting changes.

Two Mexican financial groups plan to merge

By Ted Bardacke in Mexico City

Two of Mexico's largest financial groups, Grupo Financiero Serfin and Grupo Financiero Inverlat, plan to merge in a move that will create the country's second-largest bank.

The merger plan, which has been approved by shareholders, will begin a process of full integration between the two groups, which control the Serfin and Comermex banks.

The new institution will have assets of about $36bn, placing it just above the current second-placed bank, Bancomer.

Australian group faces A$445m break-up bid

By Nikki Tait in Sydney

A A$445m (US$324m) break-up bid was launched last night for Foodland Associated, the troubled Western Australian retail, wholesale and property group.

Mr Graeme Hart, a New Zealand entrepreneur, is joining forces with Australia's Coles Myer to acquire and then divide the company.

The bid is being made by Rank Commercial, Mr Hart's private company, and is pitched at A$5.27 a share. It is conditional on a minimum acceptance level of 75 per cent, and on approvals from Australia's Foreign Investment Review Board and the Trade Practices Commission, the competition watchdog.

The TPC said it would "closely examine" the offer, paying particular attention to the role of Coles Myer. Coles is one of Australia's biggest retail groups.

Mr Hart, a former truck-driver who has built his fortune by buying a series of companies at knock-down prices, is believed to be one of New Zealand's wealthiest individuals. His Rank company already owns a 14.9 per cent interest in Foodland, most of which was acquired from a single institutional shareholder last month.

If the offer is successful, Rank says its aim is to spin off Foodland's substantial New Zealand assets – which include the Farmers Deka discount and department store group, and a 57.4 per cent interest in the Progressive supermarkets group – as a separate company, distributing shares in this entity to Foodland's remaining shareholders.

Rank, which by then would own at least 75 per cent of Foodland, would pass its shares in this new company to Whitcoulls, the New Zealand bookseller and stationery group.

Rank would offer its remaining stake in Foodland, which would be reduced to its Australian assets only, to Coles. Rank said the break-up bid was being financed by bank borrowings, to be supplied by National Australia Bank, Credit Suisse and Bank of America.

The bank facilities were still subject to "satisfaction of a number of conditions [including completion of documentation]".

Placer unit to develop Osborne deposit

By Nikki Tait

Placer Pacific, the Australian group which is controlled by Canada's Placer Dome, is to go ahead with a A$155m (US$113m) development of the Osborne copper/gold deposit in north-west Queensland.

The deposit, which lies about 195km south-east of Mount Isa, will be mined at first by open-pit methods. However, during this initial eight-month period, Placer plans to develop an underground operation, which it says should have a 10-year life. The mine is due to come into operation in July 1995.

Over the total mining period, therefore, average annual production is estimated to be 29,000 tonnes of copper and 37,000 oz of gold. Total production over the mine's life would be around 324,000 tonnes of copper and 416,000 oz of gold, with a gross metal value of A$1.2bn. Life-of-mine cash costs are projected to be 63 US cents per pound of copper, including gold credits, Placer said.

● Shares in Western Mining Corporation, one of Australia's largest mining companies, gained 3 cents to A$8.44 yesterday, after the group confirmed that early-stage exploration work on the Philippines-controlled island of Mindanao, has found copper/gold mineralisation. The company said the mineralisation had been intersected in two areas, and that further work was required to determine its significance.

Israeli carrier seeks to spread its wings

Privatisation and peace could help El Al develop new markets, reports Julian Ozanne

Israel's decision to sell El Al, the country's state-owned airline, to the public by December marks a critical turning point in the company's history and a landmark in the government's creeping privatisation programme.

Earlier this month the cabinet decided to sell at least 51 per cent of the airline through a flotation in Tel Aviv and New York. Israeli law prohibits the sale of more than 25 per cent of the capital of a strategic company to foreign investors, so the remaining 26 per cent stake must be held by Israeli nationals. The government will also keep a golden share to protect what it considers is a vital national interest.

Before privatisation the government will have to appraise the company's value, take the company out of receivership, appoint a new board of directors and make provisions to refinance the employees compensation fund.

Israel's finance ministry has appointed two consortia of consulting and accounting firms to carry out separate valuations which are expected to be finished by August. Among the participants in the consortia are Barclays de Zoete Wedd, Ernst and Young and Mercer.

The government intends to issue a prospectus in October or November and appoint underwriters later.

The airline, proud of an unbroken eight-year profit record in spite of the recent recession in the global airline business, is looking forward to privatisation as a way to increase efficiency, take it out of a 12-year-old receivership, and to develop new markets in east Asia. Although it has been in receivership, the airline has been granted considerable financial autonomy while operating within a government-imposed legal framework.

However, some significant obstacles must be resolved before the government issues a prospectus, among them:

● the current prohibition on flights during the sabbath, which costs the company an estimated $30m-$40m profit a year;

● a government decision on whether it will continue to meet 80 per cent of EL Al's $60m security costs;

● special voting rights claimed by the quasi-governmental Jewish Agency, an original shareholder;

● and a refinancing of El Al's employees' compensation fund.

Corporate analysts in Israel say the way the government decides to overcome these difficulties will determine how attractive an investment El Al will be to foreign and local investors.

The company, however, points out that in spite of the difficulties, it has consistently reported profits since 1986 in the face of stiff competition and global recession. Profits in 1992 were $31.5m and are expected to be $10m-$12m for 1993. El Al says the reduction in profits last year, in spite of an 8 per cent increase in passengers carried, is a result of mounting competition and considerably reduced yields from tickets as a result of price-cutting.

Under a ban introduced in 1982, no El Al aircraft is allowed in the air between dusk on Friday and dusk on Saturday, costing the company an estimated $40m a year in profit

Mr Nachman Klieman, a company spokesman, believes that in spite of the squeeze on profits the airline's future looks healthy. Next year the company will take delivery of another 747 and will begin evaluating the potential candidates to replace the Boeing 767 for intermediate flights.

Expansion of EL Al's 47 destinations is also under consideration. In the past two years the company has started flights to Beijing and Bombay/Bangkok, and is looking at flying to Hong Kong, Seoul and Japan.

Mr Klieman also says the Middle East peace process will assist prospects. Israel expects tourism to double by the end of the decade to 4m arrivals, helped by the opening of new markets such as Morocco, Tunisia, Jordan and Syria.

More important, perhaps, a comprehensive regional peace will allow El Al to fly over the 21 Arab states which ban the airline, slashing flight times to Asia. Such a development could make Ben Gurion airport a regional hub for traffic from the US and Europe to the Indian sub-continent and Asia.

Although the long-term looks promising, short-term profitability will depend on way the government deals with the sabbath prohibition and security costs. Mr Klieman says the sabbath flight ban costs El Al $40m profit a year, because the airline only operates five-and-a-half days a week but incurs costs as if it was operating seven days. Under the ban, introduced in 1982 after considerable pressure from religious political parties, no El Al aircraft is allowed to be in the air between dusk on Friday and dusk on Saturday.

"When the government ceases to own El Al it will become, in Israeli law, a mixed company and the government will not be able to interfere in its business decisions," said Mr Yossi Nitzani, head of the government companies authority. "Then the board of directors will have to take the decision about sabbath flights on the basis of business principles."

The other decision the government cannot avoid is whether it will continue to meet 80 per cent of El Al's security costs. Any change in the government support will immediately affect profitability, although the introduction of a security tax is one option under consideration.

Finnish steel producer swings back to black

By Hugh Carnegy in Stockholm

Rautaruukki, the Nordic region's second-largest steel producer, swung to a pre-tax profit of FM140m ($25m) in the four months to the end of April from a loss of FM217m in the same period last year, on the back of rising demand and prices for steel.

The Finnish group, one of Europe's few profitable steelmakers, reaffirmed an earlier forecast that it would achieve an improvement in full-year profits over the full-year surplus of FM144m achieved last year.

It said sales in the first four months grew to FM2.4bn from FM2.2bn, while operating profit surged to FM288m from a loss last time of FM154m.

The group cited stronger demand in Finland, Scandinavia and the US, and higher prices in both export and home markets.

Rautaruukki, which concentrates on flat steel products, said the growth in demand was expected to continue in Finland and Scandinavia, where economic recovery is under way after several years of recession.

Prices were also expected to go on rising, although the pace of increase was slowing. Profits growth would depend partly on lower financing costs and cost savings.

The group raised FM792m earlier this year through a global share offering, which led the Finnish state's holding in the company to drop to 68.7 per cent from 81.1 per cent. Almost 16 per cent of Rautaruukki is now owned by foreigners. The share issue had increased the group's equity ratio to about 30 per cent, the company said.

BZW role in airports sale

BZW, the UK-based investment bank, has been given the job of advising the federal government taskforce which is looking into the potential privatisation of Australia's Federal Airports Corporation, writes Nikki Tait.

Although the possible sale has been widely flagged – BAA of the UK has been tipped as one potential buyer – the government has yet to decide how to proceed. There are 23 properties involved, ranging from international airports to small domestic "general aviation" centres.

Begemann wants speedy DWA deal

By Judy Dempsey in Berlin

The Netherlands-based Royal Begemann group wants to complete the purchase of Deutsche Waggonbau (DWA), the east German rolling-stock manufacturers, "as soon as possible" in order to create an integrated group of trains, trams and underground systems, Mr Joep van den Nienwenhuyzen, the Dutch group's chairman said yesterday.

On completion of the deal, Begemann intends eventually to list DWA on the stock exchange.

After 18 months of negotiations with the Treuhand privatisation agency, said the preliminary agreement reached with the agency earlier this week has paved the way for Begemann to acquire 74.9 per cent of DWA's shares. The remaining 25.1 per cent will be held by the Treuhand which will have the option of selling its stake on the market.

Mr van den Nienwenhuyzen would not disclose the proposed purchase price, or the number of jobs it would guarantee, but said the deal was a "straight cash transaction".

Consolidated profits for the DWA group, one of the last of the large east German enterprises to be privatised, were DM23.3m ($13.9m) on a turnover of DM3.6bn in 1992. It employs 7,300 in its eight subsidiaries.

Begemann wants DWA to complement its operations. "We need DWA's coaches and freight wagons for our traction and electrical installations and control systems. There will be no over-lap on the manufacturing side... Our rail group will become a subsidiary of DWA, thus giving the east German company a wide degree of independence," Mr van den Nienwenhuyzen explained.

The rail group, which employs 1,200, has subsidiaries in the Netherlands, Belgium and Switzerland. Last year it had a turnover of Fl 300m ($161.2m) and a net profit of Fl 8m.

Begemann, which wants to complete negotiations with the Treuhand before next October's state and federal elections in Germany, also intends to revive DWA's exports to Russia.

Until German reunification, DWA was dependent on markets in the former Soviet Union and eastern Europe. These markets collapsed after German monetary union. Since then, Russia's sharply decreased purchases from DWA have been partly financed by Hermes, the German export credit guarantee facility.

However, in an attempt to dampen expectations stemming from several earlier collapsed talks, the Treuhand said it was continuing to negotiate with other companies. "It is not in the bag yet," a spokesman for DWA's branch in Görlitz, Saxony said.

The Treuhand privatisation agency yesterday completed the sale of Sket, one of eastern Germany's largest machine-tool enterprises, to a west German group of investors led by Salzgitter Maschinenbau, writes Judy Dempsey.

Salzgitter Maschinenbau agreed to buy a 51 per cent stake in Sket and its two subsidiaries, and will invest DM100m ($62.5m) until the end of 1996. It will guarantee 2,000 jobs, but this figure will be eventually be reduced to 1,725 by 1999. The remaining stakes will be divided between the Treuhand and the management of Sket, with the agency retaining a 25.1 per cent share.

Sket, based in Magdeburg, the state capital of Saxony-Anhalt, had a turnover of DM100m last year. Prior to German reunification, its exports were targeted at the markets of the former Soviet Union and eastern Europe. These markets collapsed following German monetary union.

The sale, which ends of three years of uncertainty about the ability to find a buyer for Sket, was yesterday welcomed by Mr Christoph Bergner, prime minister of Saxony-Anhalt.

Tata Tea reports 13% profit rise

By Kunal Bose in Calcutta

Tata Tea, India's biggest plantation company, yesterday announced a 13.15 per cent increase in pre-tax profits to Rs854m ($27.11m) from Rs757m for the year ended March 31.

Turnover totalled Rs4.36bn, against Rs4.12bn in the previous 12 months. Earnings per share were up at Rs18.67 (Rs17.18) while the dividend has been maintained at Rs8 a share.

The management has recommended a bonus issue in the ratio of one new share for every two held. According to Mr K.K. Krishna Kumar, managing director, the outlook for the current year appears "somewhat clouded" due to lower export demand for tea and higher production.

Tata Tea is a significant exporter of tea. Its total export income last year rose to Rs910m from Rs860m.

Europe battered as long buyers continue to lay low

By Conner Middelmann and Graham Bowley in London and Frank McGurty in New York

European government bonds were once again whipped around in volatile trading conditions, ending mostly lower as investors continued their "buyers' strike".

The market has become dominated by short-term traders, with most long-term investors lying low. "The real investors are sidelined; they're very nervous, and aren't sure what represents value," said a London trader. "Most of the people currently active in the market have a very short-term time horizon, which adds to volatility."

■ Data showing steady economic growth with low inflation brought an improved tone to the gilts market, helping it outperform most other European markets.

However, gilts shed much of their early gains in later trading as weakness in the US Treasury market dragged them downwards.

UK average earnings rose at an annual rate of 3.75 per cent in April, down from 4 per cent in March. Investors had feared it might rise to 4.25 per cent in April.

GOVERNMENT BONDS

Short-dated bonds in particular benefited from the news, outperforming medium and long-dated gilts. Traders reported the first buying in the cash market for some time, as well as demand from overseas investors and switching into gilts from German bonds.

However, analysts said further rises in gilts were limited ahead of Friday's Bank of England announcement on the details of its next gilt auction.

Gilts fell sharply in early trading due to weakness in the German market. The long gilt future was up 1/32 point at 100 8/32 in late trading.

■ German government bonds ended a choppy session down about ½ point. The Bundesbank's widely-expected cut of five basis points in the securities repurchase rate did little to lift sentiment, and bunds were pushed sharply lower early in the day by a large sell order of September bund futures. There was talk of a big US house selling 15,000 bund futures contracts on behalf of a US customer.

The September bund contract ended around 91.74, down 0.53 point and only slightly above its 91.59 intra-day low.

■ French bonds slightly outperformed Germany, although its upside was limited by the prospect of new supply today, with the Treasury due to issue FFr18bn-FFr20bn of two- and five-year notes, or Btans. While traders have reported recent demand for shorter-dated paper, the paper is expected to weigh on prices.

Moreover, some large French investment funds, or Sicavs, have been seen liquidating holdings in the French bond market as their clients pull out, seeking to prevent further losses.

The September notional French bond futures contract on Matif closed at 115.40, down 0.16 point on the day.

■ Italian bonds took another tumble, falling by more than a point on continuing concerns about the budget deficit, which have been exacerbated by a recent constitutional court ruling requiring the government to repay pension benefits.

The government's auction of L1,000bn of 10-year bonds didn't help sentiment, yielding an average gross 10.40 per cent, well above the 9.99 per cent yield of the last auction in May. The September BTP futures contract on Liffe fell by 1.79 points to 104.16.

■ US Treasury bonds softened in erratic trading yesterday morning, even though a fresh batch of economic news had produced no surprises.

By midday, the benchmark 30-year government bond was 5/32 lower at 87¼, with the yield climbing to 7.318 per cent. At the short end, the two-year note was unchanged at 100 3/32, to yield 5.77 per cent.

Earlier, bonds across the spectrum posted modest gains as the market followed through half-heartedly on the previous session's favourable May consumer price inflation news.

Tuesday's data had encouraged the view that the Fed would hold off on its next money tightening until the end of the summer. That scenario was buttressed yesterday by Mr Lawrence Lindsey, a central bank governor, who told the Market News wire service that monetary policy was now "within the neutral range".

The morning's economic news did nothing to alter the perception that the economy had slowed sufficiently to allow the Fed to give bonds some breathing space. The central bank reported that industrial production had risen 0.2 per cent, while capacity-utilisation, a key indicator of future inflation, slipped to 83.5 per cent from 83.6 per cent. Both figures were just a little stronger than expected.

However, if Mr Lindsey's remarks were meant to reassure the market, their effect was short-lived. His Fed colleague, Mr John LaWare, warned in a second Market News interview that the economy had reached "full employment", a point at which wage pressures are likely mount.

Republic of Austria deal tests demand for short paper

By Tracy Corrigan

The Republic of Austria's $600m offering of two-year eurobonds yesterday tested retail demand for short-dated dollar paper, after a spate of recent offerings.

For Swiss retail investors and fund managers, short-dated dollar paper appears a safer bet than more volatile longer maturities, while the yield pick-up over bank deposit rates of about 1½ points makes a slight extension of maturity, for a relatively small increase in risk, attractive.

The 6 per cent coupon – even though it meant setting the re-offer price at a slight premium to the par value of the bonds – was necessary to attract retail investors, according to lead manager Goldman Sachs.

However, there has already been a heavy flow of two-year issues, and some dealers said there was a finite pocket of demand for such paper. "The paper will take some time to place, but Austria is one of the supreme retail names for Swiss investors," said one dealer at a Swiss bank.

INTERNATIONAL BONDS

For the Republic of Austria, the financing replaced a Sch10bn auction of five-year notes in the domestic market, cancelled on Tuesday due to the Federal Financing Agency's dissatisfaction with the level of bids received from Austrian banks. The agency had already changed from a two-year to a five-year auction on the advice of the banks.

Austrian government bonds had suffered in the run-up to last week's referendum on whether to join the European Union. Yield spreads over German bunds, which had been trading in a range of between 20 and 40 basis points, widened to 55 basis points.

However, following the positive result of the referendum, the market improved, and the agency was expecting to receive stronger bids at the auction. In the event, the bids submitted by the banks were around 65 basis points over bund yields, perhaps because banks were nervous about taking on more inventory after suffering losses in the bond market the previous week.

As a result, the decision was taken to cancel the auction. To accept such a level of bids "would have been [to send] the wrong signal to the Austrian bond market", said Mr Hans Kernbauer, a managing director of the Austrian Federal Financing Agency. In any case, "it was always part of our financing programme that we should tap the foreign markets in the course of this year".

The chance to launch a dollar deal of two years – the maturity originally planned for the auction – provided funding at a lower cost, he said. The deal was swapped into fixed-rate D-Marks, and the financing was cheaper than could have been achieved by tapping the euro-D-Mark sector directly.

Elsewhere, the European Investment Bank launched a FFr3bn five-year deal in the French domestic market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Republic of Austria	600	6.00	100.225R	Jun.1996	0.125R	+5 (5⅞%-96)	Goldman Sachs Intl.
FRENCH FRANCS							
European Investment Bank	3bn	7.00	99.51R	Jul.1999	0.35R	+12 (8½%-99)	Crédit Agricole
CANADIAN DOLLARS							
BMW US Capital Corp.	100	9.125	99.45R	Jul.2001	0.375R	+36 (a)	ABN Amro Bank
Banque National de Paris(b)	100	9.00	99.90R	Dec.1999	0.30R	+28 (7¾%-99)	Daiwa Europe
Bacob Overseas	75	9.25	99.95R	Jul.1999	0.275R	+50 (7¾%-99)	Wood Gundy
SWISS FRANCS							
SBC Finance Cayman Islands	100	5.375	102.00	Jul.1998	standard	-	Swiss Bank Corp.
Region D'Ile-de-France	75	5.50	102.25	Sep.2002	standard	-	Banque Paribas (Suisse)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. R: fixed re-offer price; fees are shown at the re-offer level. a) Over interpolated yield. b) Short 1st coupon.

Swift seeks to lift membership with lower fees

By John Gapper, Banking Editor

Swift, the Belgian-based cross-border payment message network owned by 2,230 banks, yesterday announced heavy cuts in joining fees in an effort to attract more small banks, securities houses and other financial institutions.

Swift's board approved a 5 per cent tariff rebate to its members this year, following a 20 per cent rebate last year. It also decided that existing members would not have to pay for new electronic security equipment for the network.

The board decided to cut fees for entry to the system – which allows banks and financial institutions to exchange cash and securities settlement and confirmation messages across borders – from an average of between BFr1.3m ($38,460) and BFr1.8m per member.

The fee for full membership, which is confined to banks, was cut to BFr400,000, while the fee for financial institutions such as broker-dealers and asset managers to become "sub-members" was cut to BFr200,000.

Swift is facing competition in the market for low-value cross-border payments from systems such as Ibos, developed by Royal Bank of Scotland and Banco Santander. It has been forced to restructure and cut costs.

Mr Francis Remacle, vice-president for sales, said Swift saw securities transactions, including settlement and securities custody, as an important growth area, and had cut fees to encourage smaller users to join.

He said that between 6 per cent and 7 per cent of the 457m Swift messages last year related to securities rather than cash, compared with 3 per cent two years ago.

Swift's revenues fell to $280m last year from $323m the previous year, after cuts in tariffs.

Open-ended emerging markets fund from F&C

By Antonia Sharpe

Foreign & Colonial, the investment management group, is launching an open-ended fund which, it says, will provide investors with a diversified exposure to emerging markets.

F&C, which already has a £130m closed-end emerging markets investment trust, has not set any firm targets for the new fund, in view of the downturn in emerging markets.

However, the daily dealing at net asset value, and the increased liquidity provided by the open-ended structure, should appeal to investors wanting more efficient and less risky access to markets which are intrinsically volatile. The Luxembourg-listed fund will follow the asset allocation models used by F&C.

The launch period for the shares, which are priced at $10 each, runs until July 1. The minimum investment is $5,000.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	101.0400	+0.670	8.84	8.64	8.39
Belgium		7.250	04/04	95.2000	−0.400	7.97	7.87	7.38
Canada *		6.500	06/04	83.4500	−1.100	9.06	8.59	8.25
Denmark		7.000	12/04	92.4000	−0.150	8.09	7.99	7.19
France	BTAN	8.000	05/98	103.8750	−0.130	6.81	6.66	6.04
	OAT	5.500	04/04	86.1000	−0.530	7.55	7.27	6.68
Germany		6.750	05/04	97.4200	−0.130	7.12	6.95	6.52
Italy		8.500	01/04	89.4100	−0.990	10.27†	9.90	9.02
Japan	No 119	4.800	06/99	105.4120	+0.040	3.53	3.59	3.18
	No 164	4.100	12/03	99.3200	+0.400	4.20	4.23	3.76
Netherlands		5.750	01/04	90.3200	−0.380	7.18	7.01	6.55
Spain		10.500	10/03	100.9200	−0.830	10.32	9.96	9.44
UK Gilts		6.000	08/99	91-11	+18/32	8.09	8.03	7.56
		6.750	11/04	88-00	+7/32	8.50	8.33	7.90
		9.000	10/08	103-23	+10/32	8.54	8.40	8.03
US Treasury *		7.250	05/04	101-23	-	7.01	6.90	7.06
		6.250	08/23	87-05	−7/32	7.32	7.23	7.30
ECU (French Govt)		6.000	04/04	87.0700	−0.040	7.94	7.80	7.06

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	3.96	Two year	5.75
Prime rate	7¼	Two month	4.14	Three year	6.09
Broker loan rate	5½	Three month	4.20	Five year	6.53
Fed.funds	4 5/16	Six month	4.62	10-year	7.01
Fed.funds at intervention	-	One year	5.09	30-year	7.39

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	115.90	115.40	-0.16	115.90	114.80	262,083	113,065
Dec	114.84	114.50	-0.16	114.84	113.98	1,789	9,830
Mar	114.02	113.70	-0.14	114.02	114.02	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jul	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Sep	PUTS Dec
115	1.19	2.12	2.18	0.82	1.78	-
116	0.65	-	1.68	1.30	2.27	-
117	0.34	1.14	-	-	2.88	-
118	0.12	0.75	-	2.75	-	-
119	-	0.44	-	-	4.05	-

Est. vol. total, Calls 35,349 Puts 58,125 . Previous day's open int., Calls 293,286 Puts 262,647.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.45	91.80	-0.47	92.49	91.58	139959	137183
Dec	91.23	91.27	-0.48	91.23	91.23	30	882

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9150	0.73	1.32	1.55	1.77	0.43	1.02	1.25	2.00
9200	0.46	1.04	1.29	1.52	0.66	1.24	1.49	2.25
9250	0.27	0.80	1.05	1.31	0.97	1.60	1.75	2.54

Est. vol. total, Calls 10211 Puts 12801. Previous day's open int., Calls 188080 Puts 182050

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		97.73	-0.19			0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	106.05	104.72	-1.23	106.05	104.05	59307	60976
Dec		103.67	-1.23			0	100

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
10450	2.33	2.66	2.11	3.49
10500	2.06	2.45	2.34	3.78
10550	1.82	2.24	2.60	4.07

Est. vol. total, Calls 3257 Puts 4975. Previous day's open int., Calls 20325 Puts 15554

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	92.14	91.29	-0.85	92.16	90.81	61,932	85,851
Dec	-	92.55	-	-	-	-	-

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101-17	102-01	+0-10	102-08	101-17	156	11783
Sep	100-07	100-25	+0-10	101-09	100-04	74268	118318
Dec		99-25	+0-10			0	67

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
100	2-51	3-07	2-01	3-21
101	2-16	2-42	2-30	3-56
102	1-51	2-17	3-01	4-31

Est. vol. total, Calls 2934 Puts 6230. Previous day's open int., Calls 48819 Puts 32285

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	83.70	83.52	-0.14	83.70	82.90	1,250	6,323
Dec	-	-	-	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	105-20	105-19	-0-02	105-28	105-18	24,855	55,011
Sep	104-20	104-20	-0-02	104-30	104-19	441,555	314,795
Dec	104-06	104-01	+0-04	104-09	103-31	1,253	36,444

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	110.27			110.27	110.09	1848	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jun 15	Day's change %	Tue Jun 14	Accrued interest	xd adj. ytd		Low coupon yield Jun 15	Jun 14	Yr. ago	Medium coupon yield Jun 15	Jun 14	Yr. ago	High coupon yield Jun 15	Jun 14	Yr. ago
1 Up to 5 years (24)	121.55	+0.38	121.38	1.56	5.47	5 yrs	8.16	8.29	7.10	8.37	8.48	7.32	8.46	8.59	7.52
2 5-15 years (22)	140.01	+0.43	139.70	1.71	6.42	15 yrs	8.46	8.49	7.94	8.57	8.64	8.33	8.89	8.93	8.58
3 Over 15 years (9)	157.16	+0.64	156.16	2.56	5.25	20 yrs	8.42	8.46	8.16	8.57	8.64	8.44	8.72	8.76	8.62
4 Irredeemables (6)	178.64	+0.25	176.21	1.58	6.36	Irred.†	8.54	8.56	8.51						
5 All stocks (61)	137.88	+0.45	137.51	1.81	5.95										

Index-linked							Inflation 5% Jun 15	Jun 14	Yr. ago	Inflation 10% Jun 15	Jun 14	Yr. ago
6 Up to 5 years (2)	186.05	+0.08	185.89	1.02	2.53	Up to 5 yrs	3.71	3.75	2.99	2.62	2.81	2.29
7 Over 5 years (11)	172.94	+0.06	173.02	0.86	0.18	Over 5 yrs	3.83	3.83	3.57	3.63	3.66	3.40
8 All stocks (13)	173.42	+0.06	173.48	0.87	2.31							

Debentures and Loans						5 year yield Jun 15	Jun 14	Yr. ago	15 year yield Jun 15	Jun 14	Yr. ago	25 year yield Jun 15	Jun 14	Yr. ago
9 Debs & Loans (76)	127.98	+0.24	127.67	2.32	5.27	9.68	9.64	8.89	9.61	9.60	9.31	9.53	9.56	9.47

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	June 15	June 14	June 13	June 10	June 9	Yr ago	High*	Low*
Govt. Secs. (UK)	92.38	91.95	91.98	92.92	92.78	95.62	107.04	91.04
Fixed Interest	109.12	108.62	109.39	110.27	110.55	112.04	133.87	108.62

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	June 14	June 13	June 10	June 9	June 8
Gilt Edged bargains	117.6	105.0	92.7	115.0	89.9
5-day average	102.9	96.9	94.6	98.9	97.9

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Treas. 10pc Ln. 1994‡‡	10.00	-	100	—	102 1/16	100
Exch 12½pc 1994	12.33	5.02	101 13/32	—	104 5/8	101 13/32
Treas 9pc 1994‡‡	8.86	5.17	101 5/8	—	103 13/32	101 5/8
12pc 1995	11.53	5.14	104 1/16	—	107 1/8	104 1/16
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
10pc 2003	9.36	8.72	107 [illegible]	[illegible]	127 [illegible]	105 [illegible]
Treas 11½pc 2001-4	10.17	8.86	113 [illegible]	+½	129 [illegible]	111¼
Funding 3½pc '99-4	4.76	7.57	73 [illegible]	[illegible]	86 [illegible]	71 [illegible]
Conversion 9½pc 2004	9.00	8.66	105 [illegible]	[illegible]	125 [illegible]	103 [illegible]
Treas 6¾pc 2004‡‡	7.67	8.49	88 [illegible]	[illegible]	105 [illegible]	86
[illegible]						

Other Fixed Interest [illegible]

Notes	Yield (1)	Yield (2)	Price £	+ or –	1994 High	1994 Low
Index-Linked (b)						
2pc '96 (67.9)	2.74	3.81	199 [illegible]	[illegible]	203 [illegible]	197 [illegible]
4⅝pc '98‡‡ (135.6)	2.85	3.55	107 [illegible]	[illegible]	113 [illegible]	105 [illegible]
2½pc '01 (78.3)	3.34	3.71	165 [illegible]	[illegible]	176 [illegible]	164 [illegible]
2½pc '03 (78.8)	3.44	3.74	161 [illegible]	[illegible]	173 [illegible]	160 [illegible]
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1993: 141.8 and for May 1994: 144.7.

• 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 15

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	93⅛	93⅜	+⅛	7.59
Alberta Province 7⅝ 98	1000	102⅝	102⅞	+⅛	6.98
Austria 8½ 00	400	108½	108⅞	+¼	7.04
[illegible]					
United Kingdom 7¼ 97	5500	102¼	102⅜		6.35
Volkswagen Intl Fin 7 03	1000	97	97¼		7.47
World Bank 0 15	2000	21½	21⅞	-½	7.41
World Bank 5⅞ 03	3000	91⅛	91⅛	-¼	7.20
[illegible]					
Abbey Natl Treasury 8 03 £	1000	92¼	92⅝	+⅛	9.32
Alliance Leics 11½ 97 £	100	108¼	108¾	+¼	8.05
British Land 8⅞ 23 £	150	87⅛	87⅝		10.53
Denmark 6¾ 98 £	800	94¾	95⅛	+⅛	8.27
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day-Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread-Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn-The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price-Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem-Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

COMPANY NEWS: UK

Non-core losses hit Thames Water

By Bronwen Maddox, Environment Correspondent

Thames Water, the largest of the privatised water companies, announced a 4 per cent fall from £251.3m to £241.7m in pre-tax profits for the year to March 31 after losses in contracting and restructuring costs.

Turnover rose from £1.04bn to £1.09bn, including £52.9m from acquisitions.

There was an exceptional charge of £35m. Losses on Egyptian contracts acquired in 1988, which were revealed at the half-year stage, cost £25m. Restructuring non-core companies in the UK, US, Germany and Asia also produced one-off costs.

Sir Robert Clarke, who has just taken over as chairman, said yesterday: "The situation is now completely clean and clear."

Overall the non-core businesses, on which Thames has spent some £170m in acquisition costs and investment, incurred a pre-tax loss of £40.5m.

International and process contracting businesses suffered from poor economic conditions abroad, with a fall in turnover to £120m (£182m). Sir Robert said: "Conditions have been particularly difficult in Germany. The east German economy has not exactly been buoyant."

Turnover in products and services rose to £105m (£62m) partly because of the addition of businesses acquired from Simon Engineering, although UK industrial demand continued to be weak.

With commercial and industrial demand for water services also weak, turnover in the core business rose 7.5 per cent to £872m (£811m) by price increases.

Excluding depreciation and infrastructure renewal, operating costs in the utilities arm rose by 0.7 per cent. Like other large water companies, Thames has continued to reduce staff numbers, which fell by 488 – 6.6 per cent – to an average 6,893 during the year.

However, the capital spending programme to modernise the infrastructure and meet new environmental regulations and which absorbed £359m last year, also pushed up depreciation in the core business to £73m (£60m) and group net interest charges to £44.5m, compared with £29.9m.

Net debt at the year end was £671m (£516m), for gearing of 37 per cent (31 per cent).

Although earnings per share fell by 4.4 per cent to 56.8p, compared with 59.3p, dividends are increased by 7 per cent to 22.5p (21p) with a recommended final of 15.1p.

In the present year, Thames expects its non-core businesses to break even after paying for acquisition costs, and said its order book was running at more than £150m. Sir Robert said: "The recession is not completely over but there are some glimmerings of improvement."

See Lex

Placing puts £51m tag on Chesterton

By Simon Davies

Chesterton International has successfully placed 20.56m shares in spite of the stock market slump. However, the deal was priced at 100p, the minimum price under the company's agreement with existing shareholders who are selling through the offer.

The placing will value the property agency at £51.2m, making it marginally larger than its main listed competitor, Debenham Tewson & Chinnocks, which is valued at £50.7m.

Mr Giles Ballantine, chief executive, said: "We are genuinely very pleased." The company had targeted a flotation with a value of £50m and achieved it amid dwindling demand for new issues.

Based on forecast pre-tax profits of £5.1m, the shares are being issued on a p/e ratio of 14.1 and notional gross yield of 4.13 per cent, based on the dividend that would have been paid had the company been listed for the year.

The pricing reflected the volatile nature of agency business, given the reliance on people rather than fixed assets, but the company provides greater stability through its focus on management fees, rather than brokerage commissions.

Chesterton was wholly-owned by former and current employees, and of the placement shares, 12.25m have been sold by former employees or those within 2 years of retirement, while a further 3.3m have come from current employees.

A further 5m have been issued by the company, which will raise £4m net of expenses to help pay down its overdraft and provide funds for acquisition.

A number of "significant" institutions have taken discloseable stakes in Chesterton, via the private placing.

The issue was sponsored by Robert Fleming, with Société Générale Strauss Turnbull as broker.

Share dealing will commence on June 23.

US authorities clear BT and MCI alliance

By Andrew Adonis

US regulatory authorities yesterday cleared the $5.3bn (£3.53bn) alliance between British Telecommunications and MCI, the second largest long-distance carrier, after a year-long investigation.

The two companies immediately launched their Washington-based joint venture, named Concert, which aims to take a leading stake in the market for "one-stop" telecoms services for multinational companies.

The launch of Concert came the day after the announcement of a $4.2bn alliance between Sprint, the third-largest US long-distance carrier, and the state telecoms companies of France and Germany.

The Sprint-Franco-German alliance faces a significant regulatory barrier in the US, where AT&T, the largest operator, will oppose it strenuously.

AT&T last year launched itself into the market for multinationals with its Worldsource venture. AT&T has secured partners in the Asia-Pacific region, but has yet to forge a European alliance. It is in talks with Unisource, a joint venture between the state operators of Switzerland, Sweden and the Netherlands.

Mr Michael Hepher, BT managing director, said Concert had gained a "significant head start" over its rivals. "We are looking to build up large revenues while we have a clear run."

Conditions imposed by the US Department of Justice will oblige BT to publish the terms on which it sells its services to Concert, to prevent cross-subsidies. It is also prohibited from engaging in international simple re-sale – a form of competition using leased lines – until AT&T's application for a UK licence is approved by the UK government.

Mr Hepher said that Concert would be the first company able to provide a "broad range of single-source telecoms services to multinationals across the world". In addition to "one-stop" international private voice networks, Concert is offering data telecoms, messaging, electronic data interchange and video conferencing services.

The alliance between BT and MCI gives MCI prime responsibility for marketing services in the US, and BT responsibility for the rest of the world. However, the companies have pledged to respect existing agreements with other international operators.

BT said it expected to pay most of the $4.3bn agreed for a 20 per cent stake in MCI later this year.

Its gearing will rise sharply if it is unable to sell its 17 per cent stake – worth about $2bn – in McCaw Cellular, whose sale to AT&T has been held up by US regulators. But at end-March, BT's gearing stood at only 9 per cent.

Allders rises to £12m

By Maggie Urry

Maiden interim results from Allders, the department store and tax and duty free retail group which floated last year, showed a strong advance in profits.

Pro-forma pre-tax profits rose from £9.9m to £11.7m in the half-year to March 31.

The shares, which were priced at 170p last October, closed up 3p yesterday at 227p.

Lord Prior, chairman, backed up the numbers with an optimistic statement saying "conditions in all our markets are better than we have experienced for several years".

An interim dividend of 2.2p is 8 per cent higher than the level indicated in the prospectus, which said the 1993 dividend would have been 6.1p, with one third paid in the first half.

Group sales in the six months rose 10 per cent to £357m, and operating profits increased from £10m to £12.1m.

An extra trading week in the comparable period added £1.2m to department store operating profits, while the current year benefited from a £700,000 write back of an over-conservative provision made for flotation costs. The underlying rise in profits was 14 per cent.

Interest charges fell from £1.1m to £400,000. Earnings per share were 9p (7.7p).

The first half includes the important Christmas period for the department stores. Adjusting for the extra week, underlying profits were 16 per cent up at £10.4m, on sales of £167m, up 7 per cent on the adjusted basis.

In the tax and duty free division profits jumped from £700,000 to £1.9m. However, this was boosted by a shift of £1.8m from the second half to the first under a new agreement with BAA, the UK airport operator.

A £2.5m loss in North America (profit £100,000) was blamed on dull trading, plus £700,000 of closure costs for the San Francisco airport store, and also the effect on Canadian sales of a reduction in tobacco duty.

Southern Business shares dive 32p on cautious outlook

By Simon Davies

Shares in Southern Business Group, the photocopier and vending machines supplier, dived by 32p to 42p after the company announced a sharp fall in interim profits.

Pre-tax profits for the six months ended March 31 fell by 56 per cent to £3.14m (£7.2m), and the company remained "cautious as to the trading outlook".

Analysts reduced full-year forecasts by up to £5m from the previous consensus of £12.5m.

The profits fall reflected disappointing sales and what the company described as a one-off £900,000 sales cost.

The photocopier supply industry was subject to an Office of Fair Trading report in March, which responded to concerns over long-term leasing contracts with a call for wide ranging changes in the industry.

SBG made a £3m provision for the renegotiation of contracts last year, and Mr David McErlain, chief executive, said the company had fully anticipated the report's recommendations.

No further provisions were considered necessary at the interim stage.

Turnover amounted to £26.9m, down from £29.4m, reflecting an increasingly competitive market. Mr McErlain said sales were satisfactory for the first quarter, but in the second quarter they had collapsed inexplicably to about one quarter of their budgeted rate.

There was a short-fall between sales levels and sales staffing costs, and consequently a sales cost of £900,000 has been included in the interim figures. This would usually have been capitalised as an intangible asset, to reflect the long-term revenues derived from each sale.

In addition, the shortening of some leasing contracts after renegotiation contributed to a £914,000 increase in amortisation costs.

Mr McErlain said market conditions suggested a likely consolidation within the industry. SBG would consider acquisitions, or a partnership with a major distributor; the company has cash balances of £4.3m.

Following the OFT report, contract and price expectations within the industry were being lowered. SBG now expects to achieve profit margins of about 15 per cent, half their level at the peak of the market.

Earnings per share dropped 56 per cent from 4.99p to 2.18p, but the interim dividend is maintained at 1.27p.

Stirling in red after exceptional

By Caroline Southey

Stirling Group, the clothing manufacturer which supplies Marks and Spencer, fell into the red at the year-end after exceptional items of £4.31m following the disposal of its brand and import divisions.

Pre-tax losses stood at £798,000 in the year to March 31, against profits of £5.13m last year, on turnover down from £100.8m to £95.2m.

Operating profits fell from £5.84m to £3.76m after losses from the discontinued operations of £1.69m (profits £585,000).

Stirling disposed of its brand business, which makes underwear and swimwear, in December. A decision to sell the loss-making imports division was made shortly after the abrupt departure of Mr Peter Sheldon, the former chairman and chief executive, in January because of differences of opinion over the direction of the division.

Mr Robert Coe, non-executive chairman since Mr Sheldon's departure, said he was confident that the decision to focus the company's efforts on its core business as clothing supplier to M&S "would be justified by the trading results".

The return on sales in the core contract division grew from 7.2 to 7.6 per cent. Mr Steven Bentwood, chief executive, said Stirling would pursue growth through sales and product design. The autumn programme for M&S was running ahead of last year, he said.

Losses per share emerged at 1.39p (earnings 3.92p). However, the proposed final dividend is unchanged at 1.35p, for a total of 1.9p (1.85p).

Mr Coe said the costs of withdrawing from the two businesses had been provided for fully in this year's accounts. Following the disposals Stirling had £2.9m net cash compared with £2.3m net borrowings a year ago.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allders	int	2.2	Aug 25	-	-	-
Bristol Water	fin	22.4	Oct 3	20.7	33.5	31
British Thornton	fin	3.5†	Sept 14	2.5	6	5
Borndene Invs	int	0.75	Sept 1	0.5	-	1.75
Drayton Recovery	int	4	July 29	4	-	8
Exmoor Dual	int	2.25	July 29	2.7	-	10.55
Heath (CE)	fin	11†	Aug 5	11	16	16
London Elect	fin	15.1	Aug 11	13.9	22.5	19.5
London Scot Bank	int	1.2	July 29	1.03	-	3.4
Mansfield Brew	fin	3.15	Aug 17	2.75	4.4	3.85
Marston	fin	4.36	Aug 6	3.95	5.96	5.4
Mountview Ests	fin	12	Aug 15	12	22	20
NFC	int	1.5†♠	Oct 3	1.45	-	7
S'thern Business	int	1.27	Aug 11	1.27	-	3.72
Stirling	fin	1.35	Oct 7	1.3	1.9	1.85
Thames Water	fin	15.1	Sept 1	14.1	22.5	21

Dividends shown pence per share net except where otherwise stated. †On increased capital. ♠Second interim; makes 2.9p to date.

London Electricity at £187m

By Michael Smith

London Electricity, the power distributor for the capital, warned yesterday that the Monopolies and Mergers Commission may be asked to adjudicate over the current regulatory review as it announced pre-tax profits ahead from £145.5m to £186.5m and a 15 per cent dividend increase.

Mr Roger Urwin, chief executive, said: "Any company *which does not* consider going to the MMC as a possibility is not being particularly prudent.

"If it is decided that a company is a loser from the review and the market responds then that company's directors are in a difficult position. Shareholders will want a very good reason for the directors accepting the outcome."

Sir Bob Reid, chairman, said the company looked forward to "regulatory proposals which would enable the company to continue to deliver a proper balance of benefits between shareholders and customers and to sustain the appropriate levels of investment in our infrastructure".

In the year to March 31, London made operating profit of £171.5m (£152.8m) on turnover of £1.31bn (£1.37bn).

Dividends totalled 22.5p (19.5p) after a proposed final of 15.1p, payable from earnings of 65p (56.9p before exceptional items).

The improved pre-tax performance was helped by the closure of retailing (£28m) and a £10m increase in the contribution from private distribution, including the airports business bought from BAA.

The contribution from regulated businesses also increased by £2m, helped by a cut of 310, or 4 per cent, in the headcount.

London also said there was welcome evidence of a revival in the economy with the main business showing a 1.3 per cent increase in units distributed. Growth in the large commercial sector was particularly noticeable.

Capital expenditure rose from £86.9m to £104.2m

The company is to seek shareholders' permission to buy 10 per cent of its shares in the market. It also announced that it had signed a contract worth more than £10m to supply electricity to 16 Cadbury Schweppes sites.

● **COMMENT**

London's share price fall – down 16p to 571p – owed more to Ofgas's announcement on rates of return for British Gas – and its perceived implications for the power sector – rather than anything fundamental in the figures yesterday. Certainly the City had little to complain about. A steady approach to job reductions has helped to cut out about £30m of annual costs over the last four years. Strong cash generation means that in spite of increased capital costs there is little danger of the company moving into serious debt in the next year. That gives it scope to pull off more acquisitions, no bad thing provided it can find companies of the quality of the BAA business which is already chipping in profits above expectations and is liked by the City because it is so close in type to the core. Assuming a 25.4p dividend for this year, the shares were yesterday trading on a prospective yield of about 5.5, a slightly poorer rating than average for the sector. But with so much uncertainty about future regulation, it may be a month or two before the shares move upwards.

Shoprite committed to expansion

By Neil Buckley and William Lewis

Shoprite said yesterday that it was pressing ahead with aggressive expansion plans, in spite of the collapse of a property deal and poor results which have knocked 93p off its share price in three weeks.

Assurances from the discount grocer came amid calls from institutional investors for a management shake-up.

The Isle of Man-based discounter, which operates mainly in Scotland, said on Tuesday that a sale and leaseback deal on 11 supermarkets with Allied Dunbar and Edge Investments had fallen through.

The loss of a resulting £1.29m surplus meant that the group's pre-tax profit figures for the six months to May 1 – which it rushed out ahead of schedule last month because they were below expectations – fell from £2.74m to £1.44m.

Shoprite's shares have fallen from 144p to 51p since the results.

Mr David Webster, joint managing director, said Shoprite originally had hoped to conclude the deal last Friday, and announce results tomorrow. He defended the decision to include the deal when it brought forward its results, saying that Shoprite had assurances from advisers that it appeared to be on course.

He said the decision by Allied Dunbar and Edge to pull out came without warning. Both refused to give reasons, but analysts believe that the disappointing results may have raised doubts about the quality of Shoprite's covenants.

Mr Webster said the group would still seek a leaseback deal on the stores, but was "letting the dust settle".

He blamed the profits fall, in spite of 20 store openings, partly on "cannibalisation" of sales. That was caused by the decision to open many new stores near to existing ones, to squeeze out new entrants.

Shoprite's customers, primarily in the C2DE bracket, had been hit harder than others by tax increases, preventing the usual uplift in grocery sales in March and April.

Moreover, large superstore chains had responded to growing discount competition with aggressive pricing campaigns.

Unlike 1993, when spring price cuts by Shoprite brought volume increases, similar moves had not lifted sales this year.

Mr Webster said he was confident of a better performance in the second half, through better buying, cost reductions, aggressive marketing, and a shift in its 30-store opening programme into new areas.

That may not comfort institutional shareholders who are demanding board changes. Shoprite directors recently visited main shareholders, but failed to mention any problems with the property deal.

"They told us they had made mistakes in the past, but they had learnt from them," said one. "But just a few days later they announce this. I will never be able to believe them again."

Another called for "two new independent executive directors" on Shoprite's board.

BZW, joint broker to the discounter, hinted yesterday that it would raise the issue of management changes.

"We will be talking to the company and reviewing the situation in the light of what has happened," said Mr Philip Remnant, managing director of UK corporate finance at BZW.

Provisions hold back CE Heath to £11.8m

By Richard Lapper

Provisions against losses on Australian workers' compensation business held back pre-tax profits at CE Heath, the insurance broker, in the year to March 31.

After exceptional items pre-tax profits amounted to £11.8m (£1.5m restated). The new provisions have arisen as a result of a judgment earlier this month by the Australian High Court which overturned earlier lower court decisions in favour of a Heath subsidiary and other insurers against the Victorian Accident Compensation Commission.

"The decision has been a totally unexpected and unwelcome shock and has clouded what would have been an excellent result," said Mr Michael Kier, chairman.

As a result of the ruling CE Heath Underwriting and Insurance will not be entitled to recover certain amounts from the commission and a provision of A$50m (£22.8m) has been established.

Operating profits increased marginally to £7.6m (£7.1m). Profit from the sale of part of the company's stake in another Australian subsidiary, Heath International Holdings, amounted to £4.3m.

Broking profits increased by 20 per cent to £18.5m (£15.4m).

Business from London market reinsurance declined but there was growth of UK wholesale, international facultative and some other operations.

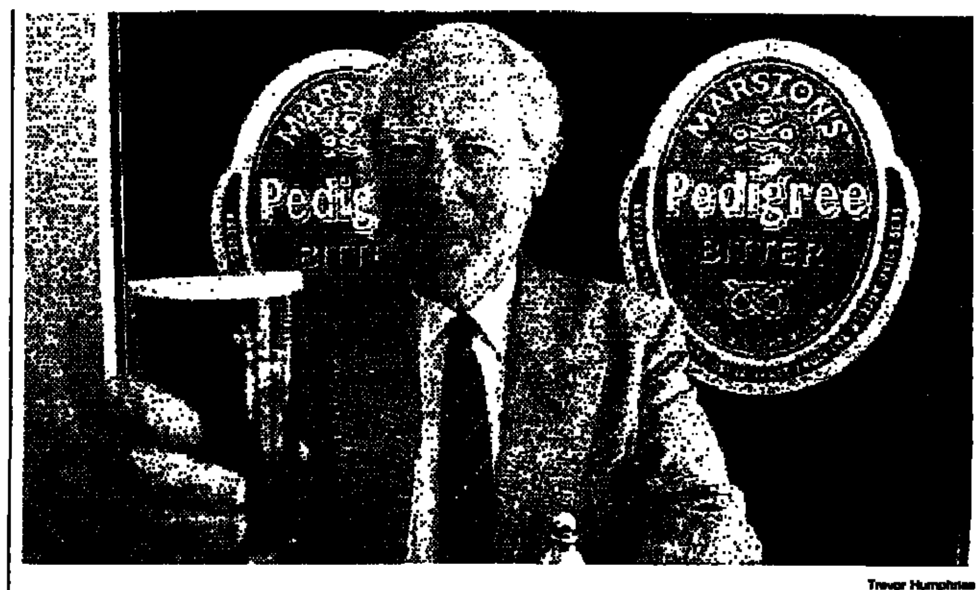
Profits from underwriting increased to £8.4m (£7m). These include the contribution of Heath International Holdings, the Australian underwriting operation in which Heath had a 23 per cent stake. The sale proceeds were A$45m, of which £11m has been used to repay some medium-term borrowings.

Computer services profits rose by 13 per cent to £5.3m.

Losses per share were cut to 0.6p (22.5p). The dividend is held at 16p with an unchanged 11p final.

● **COMMENT**

The markets had already taken on the news of new Australian provisions at Heath and after last week's sharp fall, the share price rose yesterday. The good news is that the core broking operations appear to be in a relatively healthy state, with expenses under control and some attractive growth possibilities in a number of markets. Pre-tax profits of at least £33m should be possible over the next 12 months. Investors can only hope there are no further surprises in store and decide whether the prospective p/e of about 12 – a lower rating than other comparable insurance brokers – is an adequate reflection of the extra risk.



Trevor Humphries

Michael Hurdle: further growth expected this year but market conditions likely to remain difficult

Marston improves 16% in spite of flat second half

By Tony Jackson

Marston Thompson & Evershed, the Burton-based regional brewer, lifted pre-tax profits by 16 per cent to £23.3m in the year to March 26.

However, second half profits were flat as a result of sharply increased marketing costs on its Pedigree brand.

Volume sales of beer rose by 4.9 per cent in the year, compared with a claimed fall of 2 per cent across the industry. Sales of Pedigree bitter rose by 7 per cent, while the Low 'C brand of low-calorie bottled beer was ahead by 12 per cent. Food sales in the group's pubs were up by 28 per cent.

Mr David Gordon, managing director, said the rise in underlying trading profit had been fairly level throughout the year.

However, Pedigree and Low 'C had been heavily advertised outside Marston's native Central TV region in the second half, with the annual advertising bill up 87 per cent at £2.9m, of which £2m was spent on Pedigree.

The rise in group beer volume was attributable to sales to other brewers and the free trade, Mr Gordon said. Beer sales to Marston's own pubs were slightly down, with a rise in managed pubs more than offset by a fall in the tenanted estate.

Capital expenditure for the year was £36m, compared with £19m. Balance sheet gearing rose from 7.2 per cent to 8.8 per cent. A total of 53 new pubs were bought, 46 of them managed, while 22 pubs were sold.

Marston said that in its tenanted estate, there was "an increasing divide between houses which clearly have a profitable future and those which may not." Volume sales of beer to tenanted houses fell by 7 per cent in the year.

On group sales of £142.8m, against £127.7m, operating profits were up 10.5 per cent at £24.9m.

Interest payments doubled to £1.1m.

After tax of £6.2m (£5.4m), earnings per share were up 16 per cent at 19.21p (16.55p). The dividend is raised 10.4 per cent to 5.96p, via a final of 4.36p.

Marston's shares were unchanged at 270p.

Mr Michael Hurdle, chairman, said that while market conditions were likely to remain difficult, further growth was expected this year.

● **COMMENT**

Assuming a similar rise in profits this year to about £26m, the shares are on about 13 times earnings. Despite the unfashionable status of the brewers, this could be a bargain. Marston has an asset which bigger rivals would pay dearly for: its Pedigree bitter brand, which has long since broken its regional boundaries. It has also stitched up a series of deals with the big brewers which gives the brand national distribution. It is encouraging to note that Whitbread's disposal of a large block of shares in March has been easily digested, with the shares slightly outperforming the market since then.

London Scottish up 34% on consumer loan demand

By John Gapper, Banking Editor

A rise in demand for consumer loans and an increased share of debt collection business helped London Scottish Bank, the consumer credit company, to increase pre-tax profits by 34 per cent from £2.01m to £2.7m in the half-year to April 26.

The interim dividend goes up 16.5 per cent to 1.2p (1.03p), after earnings rose by 23 per cent to 3.2p (2.6p). Retentions were limited by a 62 per cent rise in the tax charge as the balance of businesses shifted.

The bank, which specialises in small consumer loans, raised operating income by 14 per cent to £16.2m (£14.2m) while costs rose by 10 per cent. Mr Martin West, chief executive, said that it had continued to increase productivity.

Profits from consumer credit rose to £1.48m (£908,000) while debt collection profits rose to £827,000 (£562,000). Profits from re-insurance of policies protecting customers against defaults on loan payments fell to £388,000 (£547,000).

Mr West said that re-insurance profits fell because it was closing the 1990 year when recession had increased claims. The company was seeing steady growth in loan demand.

Textiles side behind 21% rise at Hicking Pentecost

By Nigel Clark

Further "excellent progress" by the textiles division helped Hicking Pentecost report pre-tax profits ahead 21 per cent for the year to the end of March. There was a slight improvement in the industrial products side.

For the present year the company expects further improvement with important contributions from the recent acquisitions of Alan Paine, a knitwear company, and Barbour Campbell, the industrial thread business.

For the year profits were £3.44m (£2.85m) on turnover up 20 per cent at £35.4m (£29.5m). Earnings per share were 14p (11.6p). A second interim dividend of 3.05p was declared on April 28, for a total of 4.6p (4p).

The textiles division reported sales up 13 per cent and operating profits rose by 24 per cent with margins improving from 11.3 per cent to 12.5 per cent. Alan Paine contributed sales of £350,000, incurring operating losses of £136,000 reflecting the seasonality of the business.

Mr John Lister is retiring as chairman at the annual meeting. He will be replaced by Mr Hamish Grossart, who has been a non-executive director since October 1991.

Mansfield ahead to £14.4m

By Tony Jackson

Lower interest charges helped Mansfield Brewery to raise full-year pre-tax profits by 15 per cent from £12.5m to £14.4m. This was despite a slight fall in beer volume on a like-for-like basis.

The company said this year so far was "nicely ahead" of last year, largely because of better summer weather and strong growth in its cask ales.

In the 53 weeks to April 2, draught beer volume increased by 1.2 per cent, with a 2.5 per cent rise in ales offset by a 2.9 per cent drop in lager. On a 52 week basis, however, total beer volume was down by 1 per cent.

Mr Paul Handley, finance director, said the drop in lager sales was in line with the market. On-trade sales of standard lagers in the UK market had fallen by 5.5 per cent in the year, compared with a fall of 4.2 per cent in beer overall.

Standard lager in pubs appeared "to have reached its penetration level," he said. Mansfield sells McEwans lager from Scottish & Newcastle and Foster's from Courage.

The main growth area, Mansfield said, was cask beer. Riding bitter had shown strong growth, and the launch of Mansfield bitter and Old Baily strong ale in cask had proved successful.

A review of the pub estate had resulted in a fall in book values of £12.6m, or 7 per cent of the total. As a result, and despite retained profit of £7.6m, shareholders' funds fell from £143m to £139m. Mr Handley claimed the fall in pub values was temporary. "We already have evidence of a pick-up in the market," he said.

On sales of £121m (£118m), operating profits were up 3 per cent at £19.2m.

Interest charges were 21 per cent lower, as a result of higher operating cash flow and lower interest rates.

After a tax charge of 27 per cent (30 per cent) earnings per share increased to 16.39p (13.95p). The full-year dividend is raised by 14 per cent to 4.4p via a final of 3.15p.

Mansfield's shares rose 8p to 203p.

PUBLIC WORKS LOAN BOARD RATES

Effective June 14

	Quota loans*					
	'Lower' quota rates			'Higher' quota rates		
Years	EPI†	A††	maturity§	EPI†	A††	maturity§
1	-	-	5⅝	-	-	5¾
Over 1 up to 2	6	6	7⅛	6⅛	6⅛	7¼
Over 2 up to 3	6¾	6¾	7⅝	6⅝	6⅝	8
Over 3 up to 4	7⅛	7⅛	8⅛	7½	7½	8½
Over 4 up to 5	7¾	7⅝	8⅝	7⅝	8	8¾
Over 5 up to 6	8	8⅛	8⅞	8⅛	8¼	9
Over 6 up to 7	8¼	8⅜	9	8⅜	8½	9⅛
Over 7 up to 8	8½	8⅝	9	8⅝	8¾	9¼
Over 8 up to 9	8⅝	8¾	9	8¾	8⅞	9⅜
Over 9 up to 10	8¾	8⅞	9	8⅞	9	9⅜
Over 10 up to 15	9	9	9	9¼	9⅜	9⅜
Over 15 up to 25	9	9	8⅞	9⅜	9⅜	9¼
Over 25	9	8⅞	8⅞	9⅜	9¼	9¼

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Perkins buys Dorman Diesels in $50m deal

By Andrew Baxter

Dorman Diesels, one of the oldest and most famous names in the diesel engine industry, is being bought by Peterborough-based Perkins Group for about $50m (£33.3m), including the assumption of $12m of debt.

The agreed deal, which is close to completion, has been under discussion for five months and is the most important ownership change in the UK diesel industry this decade.

It comes less than two months after Varity, Perkins' US parent, sold the Massey Ferguson tractor business to concentrate on its core businesses of Perkins diesel engines and Kelsey-Hayes automotive parts.

Dorman, established in Stafford in the 1870s, supplies high horsepower diesel engines for the power generation market and is also at the forefront of natural gas engine technology.

Part of English Electric in the 1960s, it was later absorbed into GEC, which sold it in 1987 to Broadcrown Group, a private company based in Stone, Staffordshire.

Broadcrown would not comment on the sale yesterday, beyond calling it a "strategic disposal". Dorman, which has 650 employees worldwide, most of whom are based at Stafford and Lincoln, has seen profits rise in recent years.

Pre-tax profits last year were about £3m, on turnover in excess of $75m. Perkins' sales last year were $702m.

Perkins approached Dorman as part of its strategic plan to expand its product range, either through acquisitions and alliances, or through direct investment in new products.

"One of the real attractions of Dorman was its product range, which is the newest in its power band," said Mr Tony Gilroy, chief executive of Perkins.

Perkins offers engines from five to 1,500 bhp. The Dorman engines extend the range to 2,500 bhp and will enable Perkins to move quickly into power generation, a key growth sector of the diesel engine market, and natural gas engines.

The deal will also bolster Perkins' expansion plans in south-east Asia, where Dorman has built a significant presence.

Dorman Diesels will be renamed Perkins Engines (Stafford) although the Dorman name will be retained in some markets for the time being.

Placing at 150p for CPL Aromas

By Caroline Southey

CPL Aromas, the fragrance and flavour manufacturing company, yesterday announced a placing price of 150p to raise £4m net from its flotation in a week's time.

The float, sponsored by Credit Lyonnais Laing, involves the placing and employee offer of 4.18m shares which will bring the total number of shares in issue to 10.88m.

The family of Mr Terry Pickthall, founder and chairman, will hold 36.4 per cent of the shares, down from 57 per cent prior to the flotation. Ensign Trust, wholly owned by the Merchant Navy Officers Pension Fund, will own a further 17 per cent.

CPL's market capitalisation at the placing price will be £16.3m. A month ago the company predicted its value would be up to £20m.

The historic p/e multiple at the placing price was 12.2 based on earnings per share for the year to March of 12.3p. The notional gross dividend yield is 2.5 per cent.

Mr Pickthall said £2m of the money raised would be used to develop a new plant on Teesside to manufacture aroma chemicals. He said aromatic ingredients were an important growth area and the plant would develop the company's capacity.

Aromatic ingredients account for 40 per cent of group turnover, compared to 60 per cent from fragrance and flavours. In the year to March, pre-tax profits stood at £1.4m (£1.1m) on turnover of £17.3m (£14.8m).

The balance of the proceeds will be used for working capital. Mr Pickthall said priorities include developing the company's position in the own-brand market.

Cause and effect of restructuring

UBS's market share of equity business fell last year. William Lewis reports

In January this year London staff of UBS, part of the Union Bank of Switzerland, stepped up to the fourth floor of the company's offices in Broadgate to hear presentations from senior management.

In recent years they had become used to hearing news of market share gains. The investment bank's share of institutional investors' cash equity business leapt from 3 per cent in 1989 to 8 per cent in 1992 to make it one of the City's top securities houses.

However, this January staff were greeted with a different message. UBS's average market share had fallen to about 6 per cent last September, down from UBS's perceived "optimum level" of 8 per cent.

UBS ranked "fifth or six overall in UK equities", Mr John Smith, head of UK equities research, told his analysts. At a time when a few very large institutions are dominating the fund management industry, UBS was "weak with large clients", he said.

Publicly, UBS blames this downturn on a restructuring that took place during 1993 and which is continuing this year.

A "new global strategy" was being undertaken to turn UBS from "conventional stockbroking into a more integrated house", Mr Hector Sants, a UBS vice chairman with responsibility for European equities, said.

It is trying to win more business from large fund management institutions and change the role of analysts and sales staff from simple stock pushers to advisers on strategy who can offer recommendations tailored to each client.

Hector Sants: changes had gone further than personnel

Such a refocusing was bound to hit UBS's market share in the short term, Mr Sants said. The firm had gone as far as it could with a conventional broking operation with a narrower range of services. Restructuring was needed to facilitate further gains.

However, former UBS managers disputed this description of orderly change and said that Mr Sants' view of cause and effect should be reversed. "Any restructuring has been born from their horror at the drop off in business from institutions," said one former senior executive.

Evidence for that lay in the latest Greenwich Associates report, the highly influential annual survey by the US-based consultancy of institutional investors' views on the brokers that service them.

It found that the 53 largest institutions who pay more than £1m a year in commission ranked UBS's research service joint seventh with Hoare Govett, down from joint fourth last year.

The story was the same when smaller institutions, who UBS have traditionally focused on, are included. Overall the 135 institutions questioned, including the 53 largest, ranked UBS seventh, down from fifth last year.

Competitors believed that one factor for UBS has been the departure of several senior executives, including Mr Terry Smith, head of UK research, in 1992.

Mr Sants said that staff changes had troubled UBS during 1993 but that the restructuring had gone further than just personnel.

According to UBS documents, the staff were told in January that the company wanted to be rated among the top three firms with all core clients and attain a "UK market share in high single figures".

To achieve that UBS needed to "focus on those clients who can reward the full UBS service." This was described as a "maximum of 50 clients, to be reviewed quarterly".

Mr Sants said that a policy of offering a wide range of services to a limited number of big institutional clients was not brand new. He also believed that the focus carried no risk despite the firm's traditional reliance on smaller institutions after its takeover of stockbroker Phillips & Drew in 1985.

However, one senior fund manager said that "there is a real possibility that UBS's refocusing of its services on people like me will leave them in no-mans' land – yet to convince the big boys and having alienated their smaller clients."

Mr Sants rejected that. "Smaller institutions will continue to receive what they want, which we believe is a conventional stockbroker service."

Mr Sants said that profitability had remained good during these changes and that UBS's market share was now back up to 8 per cent after the "temporary" dip last September.

For larger clients Mr Sants said he was encouraging a change in the traditional role of the analyst. "The large institutions in general do not want stock pickers any more. They want 'talking partners' who know the business and know the industry. What they want to do with us is discuss options and get us to design solutions."

The sales force is also affected. Mr Sants said he had been "reorganising sales to change salesmen from being ticket writers to account managers and problem solvers".

Another important part of the change process is aggressive exploitation of UBS's triple A-rated balance sheet to push its derivatives business and "total problem solving facilities" to institutional clients, according to Mr Sants. UBS believes that larger clients now want tailor-made advice executed through a sophisticated and broad product range.

Some of UBS's competitors said that strategy was sound but unlikely to mark it out from the crowd. "All that Hector has talked about we are doing ourselves," one said.

Outside analysts believe that UBS's focus is now more and more on proprietary trading – where the bank takes positions on market movements using its own capital – to compensate for declining customer business.

Mr Sants said that view may have emerged as a result of UBS offering its clients more "aggressive" use of derivatives. "It is clear that banks such as UBS, through the strength of their balance sheets, can differentiate themselves in these difficult markets from competitors."

British Thornton advances 60%

By Graham Deller

British Thornton Holdings, the packaging and specialist furniture group, lifted profits by 60 per cent from £1.32m to £2.11m pre-tax during the 12 months to April 30.

The advance was achieved on turnover of £10.3m (£8.74m), including £1.61m from the acquisition in September of Masterform, a manufacturer of packaging and display materials.

Mr Brian North, chairman, said, however, that Masterform's profits – it contributed just £13,000 at the operating level – had fallen well short of expectations. "Income arising from new orders in the second half is encouraging but has not compensated for the income lost through the cancellation last October by Sega of a large order for display units," he said.

The educational and scientific furniture operation swung into the black with profits of £274,000 (losses of £317,000). The company plans further investment in capital equipment to enlarge capacity.

After tax at 24.8 per cent, reflecting losses brought forward from previous years, earnings per share improved to 11.4p (9.8p). A proposed final of 3.5p lifts the total for the year by 1p to 6p.

Bristol Water higher at £8m

By Gary Evans

Bristol Water Holdings raised pre-tax profits by 18 per cent from £6.8m to £8.01m in the year ended March 31.

Turnover grew 15 per cent to £59.9m. The core water business accounted for £54.6m – a 6 per cent rise – largely benefiting from a permitted price rise of 4.5 per cent above inflation.

Fully diluted earnings per share rose to 76p (73.9p) and a final dividend of 22.4p is recommended for an increased total for the year of 33.5p (31p).

Attributable profits came out 3 per cent higher at £5.51m, some 58 per cent of which will be retained for reinvestment in the core business.

Capital expenditure totalled £22m (£17m). The company's principal investment continues to be a large development at Purton Treatment Works which is due for completion later this year. Work has also started on two other significant contracts to improve water quality at treatment works in the southern part of the supply area.

Sir John Wills, chairman, said the completion of these projects would mark the end of a period when Bristol had invested over £40m in large schemes at water treatment works. Capital spending would start to fall from its current peak, but would remain at a "relatively high level".

Wiseman jumps 61% to £5.13m

Robert Wiseman Dairies, the Scottish liquid milk processor and distributor, yesterday reported a 61 per cent jump in pre-tax profits from £3.19m to £5.13m for the year to April 2.

This was slightly ahead of the £5.09m forecast made at the time of its flotation in March.

Turnover rose 30 per cent to £59.7m. Mr Alan Wiseman, chairman, said the company enjoyed strong volume growth due to its position as a leading supplier to multiple retailers.

Competitive pressures arising from multiple retailers' fresh milk pricing policies had assisted volume growth at the expense of gross margin.

Earnings were 7.22p (4.58p) or 6.64p (6.14p) before exceptional and non-recurring items. No dividend is proposed, but interim and final payments are anticipated for the current year.

The company announced the sale of Gossesslie Farm, for £1.83m, which was recently acquired as part of the £8.1m purchase of Juronom, the parent company of Kennerty Farm Dairies.

Morrison rises to £5m despite tough trading

By James Buxton, Scottish Correspondent

Pre-tax profits at Morrison Construction, the privately-owned construction company, increased by 56 per cent from £3.3m to £5.1m, despite what Mr Fraser Morrison, chairman, described as "continuing difficult market conditions."

Turnover in the year to March 31 increased by 6 per cent, from £208m to £220m.

The company, which operates throughout Britain, obtained about 5 per cent of sales abroad, principally from Kuwait, Bahrain and eastern Europe.

Morrison, based in Edinburgh, increased profits before interest in its building and property development division, which accounts for 41 per cent of sales, from £2m to £4.5m.

But its civil engineering division, making up 39 per cent of sales, lost £900,000 (profit of £1m), which Mr Morrison attributed to unsettled claims against clients on road contracts in a market where margins were very tight.

The utility and energy division, and the housing division, which operates only in Scotland, virtually doubled their profits before interest.

Mr Morrison said the company's broad base could absorb losses in the civil engineering division.

Its success was founded on its commitment to quality, on its development of trained staff and on building closer relationships with clients.

He said firmer signs of economic recovery boded well for the construction industry.

Shareholders funds rose 25 per cent to £15m; the company has net cash of £11.9m.

Morrison is largely family owned. Mr Morrison said the long-term objective was to become a quoted group "in some shape or form" but there were no current plans to do so.

"We will react to the right opportunity when it comes along," he said.

NEWS DIGEST

Mountview Estates rises to £7m

Mountview Estates, the property dealing group, increased pre-tax profits by 7 per cent from £6.79m to £7.24m in the year to March 31 on sales up from £13.4m to £14.4m.

The result marked an improvement on the first half, when the group suffered a dip to £3.37m. Directors said at the time that there was "reasonable expectation" that the full year's results would match the previous outcome.

A final dividend of 12p is recommended, for an increased total of 22p (20p). Earnings per share were 105.6p (99.3p).

Drayton Recovery

Drayton Recovery Trust reported a net asset value of 139.2p per ordinary income share as at April 30, against 132.8p at the trust's October year-end and 110p 12 months earlier.

Attributable revenue for the six months to end-April was flat at £331,000 for earnings of 4p (4.02p) per share. The interim dividend is maintained at 4p.

Exmoor Dual

Exmoor Dual Investment Trust raised net assets per ordinary share to 63p at the end of May, against 34.8p a year earlier.

Net assets per income share were up from 61.1p to 61.3p and from 178.9p to 202.2p per zero coupon preference share.

After-tax revenue for the nine months to May 31 dropped to £536,334 (£602,455) and earnings per income share came through at 6.08p (6.83p). The third interim dividend is 2.25p (2.7p) per income share for a total of 6.75p (7.8p) to date.

Business Technology

In its first set of results since the change of management in October, Business Technology Group, the photocopier and facsimile sales and service company, reported a 1993 pre-tax loss of £4.1m (£6.31m restated), including £1m (£4.2m) for discontinued activities.

Sales from continuing operations came to £11.8m (£17.4m). On a per share basis losses were 12.1p (29.1p).

Burndene

Burndene Investments, the caravans and mobile homes group which also has interests in hosiery and property development, announced a fall in pre-tax profits from £2.29m to £1.82m in the half year to April 2, with a decline shown in all divisions.

Turnover improved to £29m (£27.7m) but operating profits fell to £2.48m (£2.87m) while net interest charges rose to £217,235 (£153,449).

Earnings per share declined to 1.15p (1.45p). The interim dividend, however, is stepped up to 0.75p (0.5p).

Epwin

Epwin Group, a maker of PVC-u windows and doors, is paying £5m to acquire Permadoor, which specialises in the manufacture of composite door and door sets.

Permadoor made pre-tax profits of £368,417 (£324,695) in the year to March 31 after charging £175,000 for emoluments and other costs of family directors which will be discontinued after the acquisition. Turnover was £2.57m (£2.23m) and net assets at end-March were £557,345.

The consideration will be met as to £4.3m through the issue of 1.3m ordinary shares and £700,000 in cash. The new shares are being placed with institutions at 330p per share by means of a vendor placing.

Chartfield Invest

Chartfield Investment Management, a subsidiary of Chartfield Financial Holdings, is reversing into Bell Court Fund Management, a publicly traded Imro member.

Wrexham Water

Wrexham and East Denbighshire Water lifted pre-tax profits by 37 per cent, from £2.6m to £3.57m, in the year to March 31, on turnover 4 per cent higher at £10.7m.

Earnings per £1 stock unit were 490p, against 399p or 345p after adjusting for a £265,000 surplus on the sale of fixed assets. The recommended final dividend is 141.45p for a total of 189.9p (134.9p).

The company is calling an EGM in order to convert to plc status.

Gestetner

Gestetner's Australian subsidiary, Super Color, is making a recommended conditional offer for the remaining 50.1 per cent of Rabbit Photo not already owned by Super Color and Hanimex, another wholly owned Australian subsidiary of Gestetner.

The offer – 25 cents cash per share – values Rabbit, a photo-finishing business with retail outlets throughout Australia, at A$14.7m (£7.2m).

Wagon

Wagon Industrial Holdings, the materials handling, engineering and automotive products group, has acquired Barrett Engineers, a maker of pressed metal components for the automotive industry, for £5m in cash and shares.

Barrett had turnover of £10.3m for the year to July 31 and was debt free at the acquisition date.

Green light expected for milk board reincarnation

By Deborah Hargreaves

The British government is expected to announce plans today to open up the £3.3bn milk market to competition by November. Mrs Gillian Shephard, the agriculture minister, is likely to give the go-ahead for the Milk Marketing Board's scheme to re-organise itself into a voluntary farmers' co-operative called Milk Marque.

The liberalisation of milk sales will mean that dairy companies can buy their supplies directly from farmers for the first time in 60 years.

But the plans to open up the market have been surrounded in controversy with many dairies claiming that Milk Marque would be left with too dominant a position and be able to force up prices.

Mr Chris Haskins, chairman of Northern Foods, the large UK dairy group, said yesterday that unless the government had forced Milk Marque to change transportation arrangements originally proposed, he might complain to the Office of Fair Trading.

Mrs Shephard rejected initial plans by the milk board for its reincarnation as Milk Marque, saying she was not happy with its aim of transferring the bulk of the board's assets to the new co-operative. This delayed the liberalisation of the market which was initially set for April this year.

But doubts remain among the dairy companies about Milk Marque's proposed sales system and arrangements for collecting milk from farms. The Dairy Trade Federation, which represents the dairy companies, has complained that the sales system remains too monopolistic.

In remarks to a food industry conference, Mr Haskins said that continual confrontation between the federation and the milk board in the past had been "totally sterile and unconstructive. That's what we're trying to do: get rid of all this garbage."

Opec cancels meeting to bolster confidence

By Robert Corzine in Vienna

The Organisation of Petroleum Exporting Countries last night agreed to cancel a planned September meeting in a move that should reinforce market confidence that it intends to stick to its present production ceiling until the end of the year.

The idea of cancelling the September meeting was first put forward by Saudi Arabia, the cartel's largest producer. Cancellation of the informal session means that the earliest opportunity for Opec to review its quotas will not be until November 16, well into the fourth quarter when demand for its members' oil is usually approaching its seasonal peak. Opec officials said there was no opposition to the decision, which should send a positive signal to the market, according to analysts.

The organisation also agreed yesterday to form a new sub-committee to monitor adherence to the 24.52m barrel a day ceiling. Recent production has been running above that figure, with May output reported as 24.992m b/d.

The committee will be chaired by Venezuela. It includes representatives of Nigeria and Kuwait as well as the organisation's secretary general.

The question of who will replace Dr Subroto as secretary general was put off until today, when the meeting is expected to end.

The buoyant mood of most of the delegates yesterday was in sharp contrast to their last meeting in Vienna last November.

That conference, in which delegates failed to agree on widely demanded production cuts, ended with oil ministers scuttling out of Vienna in a rainstorm as oil prices crashed around them.

Yesterday they returned to an Austrian capital bathed with late spring sunshine, basking in the knowledge that oil prices had recovered sharply in recent months.

A warning by Mr Abdullah Al Attiyah, the Opec president, that the present improvement in demand "may be limited," did little to dent in their optimism.

One Gulf Arab official thought there was scope for prices to rise by "another $3 or $4 by the end of the year". That, if it came to pass, would take the price of the benchmark Brent Blend to about $20 a barrel, compared with a five-year low of around $13 reached last February. Mr Al-Attiyah noted that the Opec basket price (an average price of seven crude oils) has recovered to around $16 from its five-year low of $12.87 in February.

But Opec oil revenues, which ". . . dropped by about 8 per cent in 1993. . . may fall further by two decimal points in 1994", he said.

Ministers appeared determined, nevertheless, to savour a rare opportunity to meet in a relatively relaxed atmosphere.

Norway and Iceland spoiling for arctic cod war

By Karen Fossli in Oslo

A bitter dispute between Norway and Iceland over fishing rights in arctic waters scaled new heights this week and threatens to become a full-blown cod war, reminiscent of that between Britain and Iceland in the 1970s.

Yesterday, Mr Bjoern Tore Godal, Norway's foreign minister warned Iceland that Norway was prepared to take whatever measures were needed to deter Icelandic trawlers from fishing in a so-called fisheries protection zone, 200km around the arctic archipelago of Svalbard, where Norway has sovereignty under a 1920 treaty.

The warning was issued to the Icelandic ambassador after the Norwegian coast guard on Tuesday night had fired warning shots and cut the wires holding the nets of the Icelandic trawlers fishing in the disputed area. It was the first time the Norwegians had resorted to such measures.

Earlier this month Norwegian shipyards in the northern part of the country refused to repair Icelandic trawlers.

Mr David Oddsson, Iceland's prime minister, said yesterday in a radio interview that the warning shots had been an illegal act by Norway and threatened to take the case to the international court in The Hague if Norway did not find a diplomatic solution.

Norway said it did not plan any meetings with Iceland but expected it to respect the zone, where it, Russia and some EU countries have historical fishing rights, and would also seek to maintain a dialogue with Iceland on the issue.

Iceland has no cod quotas in the region and no historical fishing rights. Fish accounts for about 80 per cent of Iceland's export earnings.

"No one really wants a conflict but we also are aware of the differences in opinion between Norway and Iceland over the zone," a Norwegian foreign ministry spokesman said yesterday.

Last year the two countries became embroiled in a similar dispute over the "loophole", a 62,400 sq km protected zone in the Barents Sea jointly managed by Norway and Russia, where arctic cod spawn and where Icelandic trawlers had refused to withdraw from cod fishing. They were also in dispute last year over the fisheries protection zone.

The Icelandic government subsequently ordered its fisherman to withdraw from the fisheries protection zone and the ambassador to Iceland told the Norwegian foreign minister yesterday that this declaration was still in force.

Shephard launches £10m scheme to help improve farm marketing

By Deborah Hargreaves

Mrs Gillian Shephard, UK agriculture minister, yesterday launched a scheme worth £10m over the next three years to help farmers and small food companies improve their marketing skills.

"Primary producers are masterly at planning production, but their marketing skills are undeveloped, particularly when they are producing an undifferentiated product," Mrs Shephard told an Adas food industry conference.

The aid scheme will give grants of up to 50 per cent to help producers, processors and others in the industry "sharpen up management and adopt better marketing practice", she said.

The purpose of the scheme is to enable producers to forge closer links with the market place, an aim that has consistently eluded the majority of British farmers. Mrs Shephard said the grants could help with market research and feasibility studies as well as contributing to the salaries of important staff.

The National Farmers' Union said it would conduct a feasibility study into ways of developing marketing opportunities for its farmers. It hoped to be able to give farmers advice on how to take advantage of the government's scheme.

Mr Chris Haskins, chairman of Northern Foods, stressed the importance of working together with farmers when he said that the only way he could add value and increase his profits was through "alliances with suppliers and consumers".

However, Mr Haskins and Mr Terry Leahy, marketing director for Tesco, the UK retailing group, conceded that it was much harder for farmers to work closely with food companies and retailers when they were producing commodity products that were in oversupply.

Mr Leahy said that, nevertheless, better marketing would enable farmers to get more information from the market place on what type of products were wanted, how much and when.

Lead output begins to fall

Production of refined lead is falling, according to the International Lead and Zinc Study Group.

Latest data from the ILSZG shows that mine production during the first four months of 1994 was 7.2 per cent down on the same 1993 period while refined output was 1 per cent lower.

Consumption was 4.2 per cent above the January-April 1993, mainly reflecting strong demand growth in the US.

In April, producer stocks of lead fell 13,000 tonnes to 200,000, but stocks in London Metal Exchange warehouses continued to rise.

Rubber traders see pressure on prices as Thais scale down official purchases

Thai officials buying rubber on behalf of the government have been told to cool down their purchasing this week so as not to compete with private traders, according to an official of the central rubber market, reports Reuters from Bangkok.

"Our buyers, some 30 of them from the state Rubber Estate Organisation, will from now on not compete with the private sector for supplies," Mr Chakarn Saengruksawong, director of the Rubber Research Institute said. In recent months Thai rubber prices have surged to around Bt24-25 (63p-65p) a kilogram in response to tightness of supplies and big government supply contracts, notably a contract with China that still has some 100,000 tonnes outstanding.

"Officials are negotiating with the Chinese to postpone deliveries for two to three months when rubber supplies are expected to get back to normal," Mr Chakarn said.

He explained that the government did not want to see traders going out of business because of losses sustained from honouring contracts that were concluded when prices were about Bt19 earlier in the year.

Singapore rubber traders said the Thai news could send the market lower.

"This means that the government is not going to chase the market," one senior broker said. "The current upsurge in Tokyo and Singapore is mainly due to the Thai government competing with the locals for supplies."

With the latest Thai government's move, Singapore traders said they were not sure how the government could now meet its contracted rubber shipments.

Guyanese gold output up 20%

By Canute James in Kingston, Jamaica

Guyana's gold production in the first quarter of this year rose 20 per cent to 86,300 troy ounces, mainly because of higher than expected production from the country's largest miner.

Omai Gold Mines, which produced 67,670 ounces in the quarter, 4,672 above projection, is owned by Cambior Incorporated and Golden Star Resources of Canada and the Guyana government. It started production in January 1993 with a target 20,000 ounces a month.

MARKET REPORT

Coffee futures recover early losses

London Commodity Exchange **COFFEE** futures recovered from an early reaction against recent strong gains to finish the day only marginally lower. Traders saw the morning's $56 fall to $2,340 a tonne for September delivery as a correction in a continuing bull run. The price closed at $2,388, down $8 on balance.

Coffee's later strength helped COCOA, although it had not emulated the initial fall.

At the LME ALUMINIUM prices belatedly followed COPPER'S retreat.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1403.5-4.5	1433.5-4
Previous	1413-4	1442-2.5
High/low	1401.5/1401	1435/1427
AM Official	1401.5-2	1432-2.5
Kerb close		1426-7
Open int.	N/A	
Total daily turnover	N/A	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1415-20	1420-5
Previous	1425-30	1425-30
High/low	1410	1425
AM Official	1405-10	1417-20
Kerb close		1410-20
Open int.	N/A	
Total daily turnover	N/A	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	520.5-1.5	538-9†
Previous	534.5-5	551.5-2
High/low		550/538
AM Official	524.5-5.5	542-2.5
Kerb close		540-1
Open int.	N/A	
Total daily turnover	N/A	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6345-55	6441-5
Previous	6380-90	6475-80
High/low	6345	6475/6370
AM Official	6340-5	6441-5
Kerb close		6375-80
Open int.	N/A	
Total daily turnover	N/A	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5580-70	5640-50
Previous	5620-5	5695-700
High/low	5580	5690/5630
AM Official	5575-80	5655-60
Kerb close		5620-30
Open int.	N/A	
Total daily turnover	N/A	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	974-5	999-1000
Previous	981.5-2.5	1006-7
High/low		1004/993
AM Official	975.5-6.5	1001.5-2
Kerb close		993-4
Open int.	N/A	
Total daily turnover	N/A	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2377-8	2385-6
Previous	2393-5	2409-10
High/low	2380	2407/2375
AM Official	2380-1	2387-8
Kerb close		2387-8
Open int.	N/A	
Total daily turnover	N/A	

■ LME AM Official £/$ rate: 1.5203
LME Closing £/$ rate: 1.5209

Spot:1.5200 3 mths:1.5179 6 mths:1.5158 9 mths:1.5143

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jun	110.40	+0.40	110.40	108.60	464	71
Jul	110.30	+0.35	110.60	108.80	30,803	8,487
Aug	110.40	+0.35	110.10	109.55	577	8
Sep	110.50	+0.35	110.70	109.10	17,379	4,908
Oct	109.70	+0.30	-	-	272	41
Nov	109.25	+0.25	-	-	203	4
Total					82,433	15,884

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.50-387.00	
Opening	383.50-383.90	
Morning fix	383.50	252.236
Afternoon fix	384.10	252.581
Day's High	386.75-387.25	
Day's Low	383.40-383.80	
Previous close	383.70-384.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.98 6 months 4.36
2 months ....4.06 12 months 4.82
3 months 4.11

Silver Fix	p/troy oz.	US cts equiv.
Spot	352.05	535.50
3 months	356.35	541.30
6 months	360.70	547.35
1 year	372.40	563.60

Gold Coins	$ price	£ equiv.
Krugerrand	388-391	255-257
Maple Leaf	397.00-399.40	-
New Sovereign	89-92	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	386.8	+2.6	387.5	384.3	671	23
Jul	387.5	+2.8	-	-	-	-
Aug	389.0	+2.6	389.9	385.6	72,081	12,542
Oct	392.0	+2.6	392.6	389.1	5,135	104
Dec	395.2	+2.7	396.2	392.0	24,300	335
Feb	398.6	+2.7	-	-	6,194	247
Total					138,822	14,176

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	398.3	+2.1	-	-	-	-
Jul	407.6	+3.9	408.0	403.0	11,758	1,115
Oct	410.3	+4.1	411.0	406.0	8,433	1,044
Jan	412.5	+4.1	412.5	410.0	1,223	51
Apr	414.6	+4.1	414.6	411.0	1,189	5
Total					22,603	2,215

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	138.30	+0.55	-	-	85	1
Sep	138.55	+0.55	-	-	3,641	89
Dec	139.75	+0.55	140.00	138.50	811	8
Mar	139.75	+0.55	140.00	137.00	1	-
Total					4,438	98

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	551.3	+13.2	-	-	-	-
Jul	552.2	+13.0	555.0	537.0	74,502	9,795
Aug	555.1	+13.0	-	-	1	1
Sep	557.1	+13.2	560.0	542.0	16,871	1,817
Dec	564.5	+13.3	567.0	549.0	17,744	470
Jan	566.2	+13.3	-	-	32	-
Total					124,907	12,173

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	19.18	+0.23	19.19	18.88	64,170	41,370
Aug	18.54	+0.30	18.55	18.22	83,472	42,454
Sep	18.16	+0.24	18.19	17.90	51,132	19,887
Oct	17.95	+0.19	17.95	17.73	28,050	17,694
Nov	17.78	+0.14	17.81	17.61	24,035	7,454
Dec	17.68	+0.10	17.73	17.56	32,831	7,235
Total					426,529	145,612

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	16.57	+0.22	16.62	16.40	44,993	20,393
Aug	16.60	+0.25	16.64	16.35	60,980	21,789
Sep	16.48	+0.18	16.52	16.24	22,405	3,679
Oct	16.41	+0.15	16.46	16.20	9,863	2,069
Nov	16.34	+0.11	16.34	16.17	5,632	696
Dec	16.35	+0.13	16.35	16.18	7,984	1,159
Total					158,669	60,692

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	48.50	+0.57	48.50	47.75	34,486	14,251
Aug	48.80	+0.42	48.80	48.20	19,464	6,332
Sep	49.65	+0.37	49.65	49.10	13,541	1,331
Oct	50.55	+0.32	50.55	50.15	9,778	503
Nov	51.45	+0.32	51.45	51.15	6,933	578
Dec	52.35	+0.32	52.40	52.00	15,139	739
Total					126,543	26,530

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	151.50	+1.25	152.00	149.75	31,322	4,891
Aug	153.50	+1.00	153.75	151.50	10,858	1,153
Sep	155.25	+1.00	155.50	153.50	7,833	407
Oct	158.25	+1.25	158.25	156.50	7,889	354
Nov	160.25	+1.00	160.00	158.50	5,430	305
Dec	162.00	+0.75	162.00	160.25	13,723	327
Total					85,992	7,959

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	2.145	+0.015	2.165	2.130	15,451	8,465
Aug	2.165	+0.006	2.190	2.150	15,700	3,440
Sep	2.165	+0.006	2.180	2.155	11,718	1,061
Oct	2.195	+0.006	2.195	2.180	9,840	399
Nov	2.255	+0.005	2.260	2.250	10,989	185
Dec	2.355	+0.005	2.360	2.350	14,864	258
Total					122,217	14,923

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	52.15	-0.03	52.20	51.70	37,251	12,028
Aug	52.40	+0.18	52.40	51.90	26,685	5,639
Sep	52.15	+0.21	52.15	51.80	11,743	2,702
Oct	50.50	+0.11	50.50	50.30	4,484	345
Nov	49.50	-0.04	49.55	49.35	4,040	341
Dec	53.70	+0.01	53.80	53.70	2,919	259
Total					89,261	21,555

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	113.50	+1.50	113.00	112.50	188	23
Sep	101.55	+0.35	101.50	101.10	440	62
Nov	102.00	+0.40	102.00	101.50	2,138	149
Jan	103.90	+0.35	103.90	103.50	1,283	121
Mar	105.45	+0.30	105.45	105.35	402	77
May	108.90	+0.25	108.85	108.85	372	23
Total					4,823	455

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	340/4	+3/0	344/0	338/4	116,010	30,040
Sep	347/4	+4/0	350/4	345/0	65,835	7,515
Dec	359/0	+3/4	362/0	356/4	105,975	16,040
Mar	362/2	+3/6	363/2	359/0	12,330	1,895
May	355/0	+5/4	355/0	350/0	320	-
Jul	338/0	+4/4	340/0	337/0	1,240	100
Total					380,700	58,590

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	280/0	+4/6	284/0	280/0	457,565	71,155
Sep	275/6	+4/6	279/6	275/4	194,895	19,305
Dec	271/2	+6/2	274/4	271/0	470,035	130,435
Mar	277/2	+5/6	280/0	277/0	54,055	2,395
May	280/6	+5/2	283/0	280/6	8,170	165
Jul	281/6	+5/2	284/2	281/0	15,040	490
Total					1,218M	224,745

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	98.75	-	-	-	191	-
Nov	100.05	+0.25	100.00	99.80	339	11
Jan	101.50	+0.75	-	-	28	-
Mar	103.00	+0.35	102.80	102.80	15	10
May	104.60	+0.60	-	-	4	-
Total					577	21

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	705/2	+14/6	715/0	703/0	223,925	62,380
Aug	701/4	+13/4	712/4	701/0	90,935	20,325
Sep	693/0	+16/6	703/0	692/0	48,200	5,690
Nov	684/2	+18/0	693/4	682/0	337,995	154,618
Jan	687/4	+16/0	696/4	687/0	27,305	1,415
Mar	696/2	+20/0	700/0	694/0	12,340	700
Total					763,920	260,679

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	27.81	+0.32	28.40	27.60	21,326	5,002
Aug	27.79	+0.30	28.35	27.78	15,620	2,676
Sep	27.75	+0.27	28.22	27.75	10,799	1,106
Oct	27.46	+0.34	27.90	27.45	7,951	840
Dec	27.22	+0.44	27.80	27.20	21,797	3,768
Jan	27.15	+0.45	27.52	27.15	2,918	91
Total					84,063	13,720

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	205.7	+5.5	209.0	205.5	23,583	6,207
Aug	206.2	+5.6	209.0	206.2	17,596	3,674
Sep	206.3	+5.7	208.5	206.0	10,981	1,238
Oct	205.0	+6.1	207.0	204.0	5,760	317
Dec	204.4	+6.4	207.0	204.3	18,058	4,497
Jan	204.7	+6.5	206.5	204.7	1,616	97
Total					80,116	16,297

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	90.0	-	-	-	-	-
Mar	106.0	-	-	-	-	-
Apr	150.8	+4.3	154.0	47.0	726	171
May	140.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					726	171

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	1276	-	1275	1275	529	8
Jul	1205	+5	1206	1200	951	69
Aug	1216	+6	1217	1215	187	21
Oct	1298	+5	1298	1295	440	55
Jan	1321	+14	1320	1315	222	4
Apr	1345	+5	-	-	83	-
Total					2,472	156

	Close	Prev
BFI	1321	1329

Cotton
For the second successive week no spot or shipment sales were recorded in Liverpool. Ordering was restricted and the offtake was confined to minimum quantities. Slow trading persisted in certain specialist growths.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1019	+17	1021	993	15,884	2,712
Sep	1041	+16	1043	1015	18,329	3,591
Dec	1059	+15	1061	1035	26,337	584
Mar	1079	+14	1079	1056	27,743	695
May	1091	+13	1093	1071	10,452	287
Jul	1103	+12	1102	1083	3,384	106
Total					111,206	8,076

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1377	+18	1388	1353	9,097	6,597
Sep	1411	+24	1419	1382	33,980	7,400
Dec	1446	+19	1460	1421	10,881	861
Mar	1477	+19	1483	1452	7,907	171
May	1498	+19	1504	1498	2,909	132
Jul	1518	+19	-	-	2,346	1
Total					71,460	15,182

■ COCOA (ICCO) (SDR's/tonne)

June 14	Price	Prev. day
Daily	1032.19	1033.63
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	2403	-11	2435	2355	10,945	1,063
Sep	2388	-8	2425	2340	18,860	2,401
Nov	2353	-11	2400	2318	7,129	465
Jan	2334	-10	2360	2303	6,620	764
Mar	2300	-4	2325	2264	2,714	475
May	2280	-14	2284	2284	128	4
Total					46,298	5,192

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	138.10	-0.35	140.00	134.25	11,068	5,654
Sep	138.20	+0.30	139.90	134.25	24,124	12,083
Dec	136.15	+1.55	137.00	132.50	12,225	671
Mar	132.85	+1.80	133.80	129.25	7,620	495
May	132.00	+1.85	132.60	130.00	1,022	65
Jul	131.00	+1.85	-	-	133	12
Total					88,250	18,970

■ COFFEE (ICO) (US cents/pound)

June 14	Price	Prev. day
Comp. daily	128.84	125.87
15 day average	117.35	117.19

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.84	-0.01	12.80	12.79	3,334	491
Oct	12.71	+0.04	-	-	1,101	-
Jan	11.82	-	-	-	-	-
Mar	12.18	-0.02	-	-	60	-
Total					4,495	491

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	351.50	-0.80	353.00	351.40	11,841	771
Oct	331.60	-1.20	313.50	331.50	8,840	551
Dec	323.80	-1.50	325.00	323.80	883	43
Mar	321.60	-1.20	323.00	321.60	2,586	221
May	321.30	-1.20	-	-	201	-
Aug	323.30	-1.20	-	-	295	-
Total					24,880	1,606

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.33	-0.04	12.42	12.28	30,863	4,885
Oct	12.41	-0.04	12.47	12.38	71,891	5,037
Mar	12.02	-0.08	12.07	11.95	27,215	1,469
May	11.98	-0.04	12.04	11.96	4,145	289
Jul	11.94	-0.04	12.00	11.94	1,528	121
Oct	11.90	-0.01	11.90	11.86	733	7
Total					136,412	11,800

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	79.93	+0.14	80.00	79.00	9,669	2,042
Oct	77.81	+0.57	77.90	76.76	5	1
Dec	76.73	+0.61	76.83	75.90	6,761	941
Mar	77.58	+0.63	77.65	76.79	29,050	2,968
May	77.95	+0.45	77.95	77.36	3,600	230
Jul	78.28	+0.63	78.28	77.46	1,836	22
Total					51,844	6,288

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	95.70	+0.55	97.60	95.00	7,834	523
Sep	98.45	+0.35	101.00	98.20	8,146	674
Nov	100.10	+0.15	101.50	99.80	1,858	165
Jan	102.20	+0.20	103.25	102.00	3,082	121
Mar	103.70	-0.30	105.10	103.70	1,160	29
May	105.70	-0.55	108.25	108.25	48	1
Total					23,124	1,513

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.
† - 3 month Lead 13/6 $546-7: 14/6 $551.5-2

INDICES

■ REUTERS (Base: 18/9/31=100)

June 15	June 14	month ago	year ago
2027.1	2030.4	1986.2	1660.3

■ CRB Futures (Base: 4/9/56=100)

June 14	June 13	month ago	year ago
235.30	236.50	224.94	203.34

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	65.100	+0.275	65.200	64.025	5,212	2,906
Aug	64.350	+0.150	64.700	63.100	29,814	8,351
Oct	67.875	+0.400	68.000	66.600	14,645	2,833
Dec	68.950	+0.525	69.000	67.900	10,363	1,426
Feb	69.800	+0.600	69.875	68.650	7,033	484
Apr	70.950	+0.550	71.000	70.100	3,252	186
Total					71,041	16,217

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	48.250	+0.175	48.575	47.800	1,375	1,176
Jul	48.375	+0.500	48.550	47.650	8,724	2,431
Aug	47.550	-	47.900	47.225	8,723	2,333
Oct	44.625	+0.250	44.750	44.150	4,330	464
Dec	44.700	+0.150	44.700	44.250	3,229	245
Feb	44.175	+0.050	44.350	44.050	777	57
Total					27,854	6,776

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	42.200	+0.600	43.000	41.350	4,093	1,153
Aug	41.825	+0.600	42.250	40.600	3,658	661
Feb	47.700	-	48.350	47.650	486	62
Mar	47.000	-	-	-	37	4
May	48.950	-	-	-	33	3
Jul	50.200	-	-	-	12	2
Total					8,323	1,888

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1375	N/A			
1425	N/A			
1475	N/A			

■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2350	N/A			
2400	N/A			
2450	N/A			

■ COFFEE LCE	Jul	Sep	Jul	Sep
2150	253	351	-	113
2200	203	320	-	132
2250	153	292	-	154

■ COCOA LCE	Jul	Sep	Jul	Sep
975	44	89	-	23
1000	19	73	-	32
1050	-	48	31	55

■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1600	72	-	27	-
1650	46	-	49	-
1700	24	39	82	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul) +or-

Dubai	$15.76-5.80w	+0.235
Brent Blend (dated)	$16.65-6.68	+0.28
Brent Blend (Jul)	$16.78-6.83	+0.30
W.T.I. (1pm est)	$19.31-9.35w	+0.43

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$183-184	
Gas Oil	$151-152	+2
Heavy Fuel Oil	$77-79	-2
Naphtha	$158-160	
Jet Fuel	$162-163	+1

Petroleum Argus Estimates

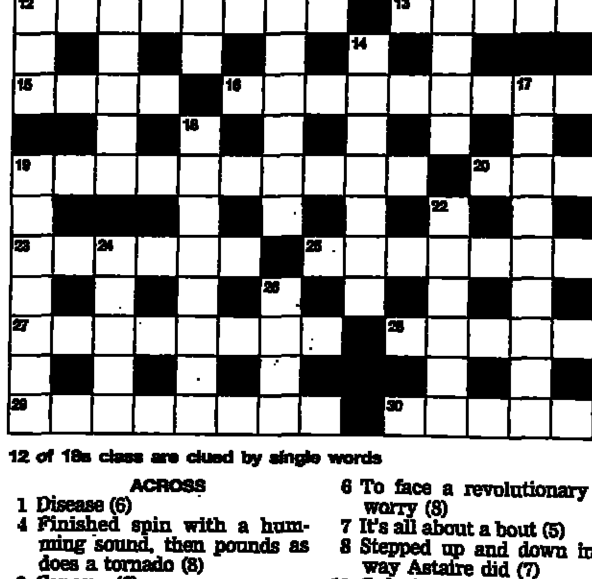
■ OTHER

Gold (per troy oz)♣	$386.75	+2.85
Silver (per troy oz)♣	552.50c	+12.50
Platinum (per troy oz.)	$401.75	-0.25
Palladium (per troy oz.)	$137.50	-0.25
Copper (US prod.)	116.0c	-1.0
Lead (US prod.)	35.75c	+0.75
Tin (Kuala Lumpur)	14.47m	+0.02
Tin (New York)	257.50c	-2.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	125.66p	-1.78*
Sheep (live weight)†♠	112.93p	+5.74*
Pigs (live weight)	81.25p	-4.36*
Lon. day sugar (raw)	$303.20	+0.20
Lon. day sugar (wte)	$359.25	-2.75
Tate & Lyle export	£312.00	
Barley (Eng. feed)	£104.5t	
Maize (US No3 Yellow)	$142.0	
Wheat (US Dark North)	£180.0	
Rubber (Jul)♥	78.75p	+1.00
Rubber (Aug)♥	78.75p	+1.00
Rubber(KL RSS No1 Jul)	272.00m	+1.50
Coconut Oil (Phil)§	$630.0z	+15.0
Palm Oil (Malay.)§	$505.0q	+10.0
Copra (Phil)§	$406.0	
Soyabeans (US)	£217.0z	
Cotton Outlook A Index	86.25c	
Wooltops (64s Super)	426p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. q Aug. t Oct/Dec z Jun/Jul. w Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,481 Set by FETTLER



12 of 18s class are clued by single words

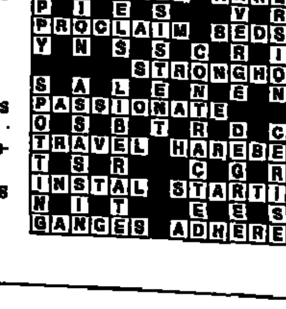
ACROSS

1 Disease (6)
4 Finished spin with a humming sound, then pounds as does a tornado (8)
9 Concern (6)
10 Hoop skirt needed for a dance (4-4)
12 Wonder at curious way to demolish (4,4)
13 Look (6)
15 Castle (4)
16 Fail to alight in arable field (10)
19 He took the canine out and the molar (10)
20 Identify (4)
23 Tree god dressed stone (6)
25 Look in the state pen certain strong arm man (8)
27 Expression of pain when wearing child's slipper (8)
28 Grumble (6)
29 Photographic process making a boring illustration (3-5)
30 Wizard (6)

DOWN

1 Such as barman, patters about (7)
2 A girl more inclined to be prolix and incoherent (9)
3 Chuck outside that which is queer, cheap and nasty (6)
5 Moue (4)
6 To face a revolutionary is a worry (8)
7 It's all about a bout (5)
8 Stepped up and down in the way Astaire did (7)
11 Gulp (7)
14 Flags (7)
17 Spite? It is absent in real touching look (9)
18 Auks soar to deceive another of their ilk (4-4)
19 Irascible crustacean on the sea-bottom (7)
21 Wooden cover for queen's old soup bowl (7)
22 Sounds like rough part of meal (6)
24 Pastime (5)
26 Talk (4)

Solution 8,480



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Earnings data spur further advance in shares

By Terry Byland, UK Stock Market Editor

Favourable news on domestic wage levels encouraged the UK stock market yesterday to retest the top of its latest trading range as both shares and bonds extended the gains of the previous session. Trading volume, and market attendance, was curbed by the effects of the national rail strike in the UK, and shares slipped back from their best levels as business died away towards the end of the day.

The FT-SE 100 Index edged above 3,050 in early trading as government bonds led the market's firm response to the announcement that UK average earnings growth had slipped to 3.75 per cent in April, while inflation, as measured by the retail price index, had remained steady. By the close the gain on the FT-SE 100 had been cut to a net 6.2 for a final reading of 3,045.8.

The FT-SE Mid 250 Index, still suffering from the aftermath of expiries of over-the-counter contracts, fell a further 19 points to 3,559.7, the second successive underperformance against the Footsie.

The stock market was restrained by adverse developments in the utility sectors, which have been the mainstays of the big investment funds during the period of bond market weakness.

British Gas fell heavily after the chief executive responded negatively to the Ofgas ruling on gas pricing. He warned that the ruling could force British Gas to "peg" its dividend next year, a prospect which hit the shares and also other utility stocks which have been sought out for their dividend paying capacity. The sector took fresh pressure when Thames Water disclosed that it was making new provisions against some recent acquisitions.

However, these adverse pressures on market indices were counterbalanced by strength in Glaxo shares as news of the impending retirement of the chairman brought suggestions that Glaxo might now follow some of its European rivals in seeking a major acquisition in the US.

After its prolonged period of watching the European bond markets, London refocused yesterday on the host of domestic economic data, and on prospects for tonight's speech in the City of London by Mr Kenneth Clarke, the UK chancellor of the exchequer. Little heed was paid to the modest reduction in money market repo rates in Germany, or to the dull response from European bond markets.

Although equity trading picked up following announcement of the average earnings data, the final total of Seaq reported business, at 562.8m shares, compared with 709.8m registered on Tuesday.

Some City professionals had arranged to work from home because of the national rail strike, and many others left their offices early yesterday afternoon. On Tuesday, retail business in equities jumped to a healthy £1.56bn.

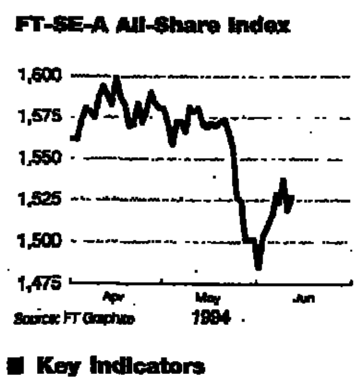
Strategists commented that the City's fears of renewed inflation pressures have to some extent been calmed this week by the flow of economic data on both sides of the Atlantic. The expectedly poor showing of the UK Conservative party candidates in both national by-elections and the elections for the European parliament has fed hopes that the British government may cut taxes in order to restore its standing with voters.

At the same time, the sudden wave of nervousness over Federal Reserve policies was also seen to subside a little following favourable news this week on US retail sales and consumer prices.

Account Dealing Dates		
*First Dealings:		
Jun 6	Jun 20	Jul 4
Option Declarations:		
Jun 16	Jun 30	Jul 14
Last Dealings:		
Jun 17	Jul 1	Jul 15
Account Day:		
Jun 27	Jul 11	Jul 25

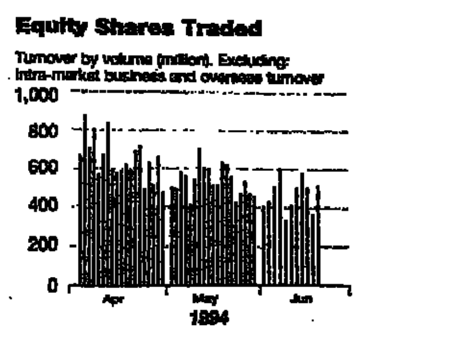
*New time dealings may take place from two business days earlier.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3045.8	+6.2	FT Ordinary index	2399.8	+11.7
FT-SE Mid 250	3559.7	-19.0	FT-SE-A Non Fins p/e	19.29	19.30
FT-SE-A 350	1535.4	+0.5	FT-SE 100 Fut Jun	3042.0	+3.0
FT-SE-A All-Share	1526.59	+0.36	10 yr Gilt yield	8.59	8.66
FT-SE-A All-Share yield	3.86	3.86	Long gilt/equity yld ratio:	2.26	2.27

Best performing sectors

1 Pharmaceuticals .... +3.2
2 Banks .... +1.2
3 Household Goods .... +1.1
4 Other Ser. Bus. .... +1.0
5 Consumer Goods .... +1.0

Worst performing sectors

1 Gas Distribution .... -5.8
2 Electricity .... -2.0
3 Tobacco .... -1.4
4 Utilities .... -1.4
5 Building & Cons .... -1.0

Hopes of change at Glaxo

The retirement announcement from Glaxo chairman Sir Paul Girolami brought a flurry of excitement to pharmaceutical stocks, with speculation that his departure meant the company was about to announce a major acquisition, following the path taken by SmithKline Beecham with its recent $2.3bn purchase of pharmacy benefit manager DPS.

Sir Paul's retirement was described as "the end of an era" by Mr James Culverwell at Hoare Govett, who added that Sir Paul epitomised an older style of drugs company, which concentrated on organic rather than acquisition-led growth.

However, Mr Culverwell was sceptical about the probability of an early purchase. "Glaxo's route is more likely to be with alliances and relationships with other drug companies, particularly in therapeutic areas," he said. Glaxo closed 22 higher at 585p following heavy turnover of 11m.

Other drugs companies were equally strong on the back of US buying, with Wellcome adding 24 at 618p, Zeneca climbing 19 to 727p and SmithKline Beecham rising 13¼ to 419½p.

British Gas hit

Shares in British Gas tumbled 17 to 272p as volume soared to 25.7m, making the stock the day's most active issue, after the chief executive warned that tough new proposals from industry watchdog Ofgas could hit profits and force the company to peg its dividend next year. British Gas also suggested that the new proposals could force cuts in its investment programme.

The report from Ofgas was "a little tougher" than many market watchers had anticipated, but it was the strong negative reaction to the report from British Gas that took the market by surprise and brought the setback in the share price.

Analysts swiftly downgraded current year dividend forecasts, with the consensus moving from 15p to 14.5p. Strauss Turnbull, one of many to reduce its dividend forecast, maintained its bottom of the range current year profits estimate at £885m, but shaved the following year's figure by £85m to £900m.

Mr John Toalster at the broker said: "The best prospect for the dividend is that it will be frozen at 1993 levels for the next two years, and a reduction of a third to 10p cannot be ruled out."

Another analyst seeking to explain the stock's retreat said simply: "The share price reaction is about politics rather than fundamentals. I would have been surprised if British Gas reacted any other way."

Thames weak

A further raft of provisions moves by Thames Water sent analysts scurrying to downgrade the utility company yesterday, amid fears of worse to come. The shares slid 9¼ to 470p with a hefty 2.5m traded.

Thames said it was taking a further £11.5m charge with its final results for its non-core businesses, adding to the adjusted £23.5m taken at the interims. The charges helped push international operations and process contracting into an operating loss of £43m against a profit of £1.4m, although Thames said it was hoping for breakeven on its non-regulated businesses this year.

The losses meant the rise in Thames dividend was lower than expected at a disappointing 7 per cent. Mr Kevin Lapwood at Smith New Court said: "Thames, which is supposed to be the flagship of the sector, is now on one of the lowest ratings. And the potential for more skeletons to come out of the cupboard on the non-regulatory businesses is huge. The shares have more downside."

Recent comment from banks that bad debts were falling faster than anticipated prompted a reconsideration of selected banking stocks from two leading broking houses.

Hoare Govett upgraded its current year profit forecasts for Barclays from £1,400m to £1,600m, largely on the back of the improved position on bad debts. With property values stabilising, there would no longer be the need to increase bad debt provisions. Barclays closed up 10 at 560p.

Mr Mark Eady at NatWest Securities, which recently upgraded his profit forecasts for National Westminster from £1,330m to £1,465m, said the strength was not in the sector as a whole, but in particular stocks. Lloyds, for example, lost 6 to 560p on fears about its proposed £1.8bn acquisition of Cheltenham & Gloucester building society, while Abbey National was also weak in sympathy, dropping 3 to 427p. NatWest added 10 to 474p, and HSBC bounced 14 to 715p.

The regional electricity companies were a weak factor after the British Gas story broke, amid fears of a tougher regulatory environment. However, dealers said the falls were more likely to have been caused by the sector's recent strong performance and investors looking to take profits. Among the fallers, East Midlands dropped 20 to 579p, Northern 18 to 670p and Manweb 20 to 690p. Figures in line with expectations from London were little protection against the bearish mood and the shares tumbled 16 to 571p.

News that BT's alliance with MCI had been approved by the US authorities came late in the session and had little effect on the shares. They ended a halfpenny ahead at 372p.

The dubious honour of the day's worst performer among FT-SE 100 constituents was claimed by freight group NFC, which reported interim figures below market expectations. The shares plunged 21 to 198p, after heavy trade of 6.1m.

Worries that investors may not take up a large part of Eurotunnel's recent rights issue continued to hurt the shares and they closed 11 down at 317p.

Bid speculation for Gestetner continued to boost the shares and they gained another 7 to 175p. Inchcape, 4 lighter at 464p, which has a stake in the office equipment group, is still thought to be the most likely predator.

Regional brewers Marston Thompson were steady at 270p after announcing results in line with expectations. NatWest Securities, reiterating its positive stance, upgraded its 1994-95 profit forecast by 4 per cent to £26.1m.

Premier league football club Tottenham Hotspur tumbled 17 to 63p at the opening of trading on news of the heavy fines imposed by the Football Association. However, the shares rallied to close unchanged as the club announced it was considering an appeal and pursuing legal action against former directors.

MARKET REPORTERS:
Christopher Price,
Clare Gascoigne,
Joel Kibazo.

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (18).
BUILDING & CNSTRN (1) Sheriff, BLDG MATLS & MCHTS (2) Halstead (J), Shaw (A), DISTRIBUTORS (1) Lookers, DIVERSIFIED INDLS (1) Western Mng., ELECTRNC & ELECT EQUP (1) Dewhurst A, ENGINEERING (1) Hadleigh, ENG. VEHICLES (1) Lucas Wrts., EXTRACTIVE INDS (1) Cons. Murchison, FOOD MANUF (1) Trent, HEALTH CARE (1) Midland Assets, HOUSEHOLD GOODS (1) Osborne & Little, RETAILERS, GENERAL (1) French Connection, SUPPORT SERVS (2) Admiral, Manpower, CANADIANS (1).

NEW LOWS (116).
BANKS (1) Nat. Australia, BREWERIES (1) Fosters, BUILDING & CNSTRN (11) BLDG MATLS & MCHTS (6) CRH, Hepworth, Heywood Williams, Marley, Meyer Intl., Needler, Norcros, Ruberoid, CHEMICALS (1) Scapa, DISTRIBUTORS (4) Caffyns, Diploma, Inchcape, Time Prods., DIVERSIFIED INDLS (4) Bibby (J), Harrisons & Crosfield, Pacific Dunlop, Powell Duffryn, ELECTRNC & ELECT EQUP (2) Johnson, Southern Business, ENGINEERING (8) Bullough, Cook (W), Glynwed Intl., ML, Meggitt, Rubicon, VSEL, Weir, Whessoe, ENG. VEHICLES (1) Daimler-Benz, EXTRACTIVE INDS (2) East Rand Prop., Precious Metals Aust., FOOD MANUF (2) Acatos & Hutcheson, Assoc. Brit. Foods, GAS DISTRIBUTION (1) Calor, HEALTH CARE (2) United Drug, Westminster Healthcare, INSURANCE (2) JB, PWS, INVESTMENT TRUSTS (7) INVESTMENT COMPANIES (5) MEDIA (1) Trinity Intl., MERCHANT BANKS (1) Hambros 7¾pc Cnv. Prf., OIL, INTEGRATED (1) Exxon, OTHER FINANCIAL (4) Finansieringsselskabet Gefion, INVESCO, Rathbone Bros., Trio, OTHER SERVS & BUSNS (1) Cape Range, PRTNG, PAPER & PACKG (4) Jarvis Porter, Lawson Mardon, RPC, SCA B, PROPERTY (5) Bilton, Ex-Lands, Gt. Portland, Merivale Moore, Prior, RETAILERS, FOOD (2) Brake Bros., Dairy Farm Intl., RETAILERS, GENERAL (4) Colorvision, Courts, MFI, Sothebys A, SUPPORT SERVS (5) ACT, BET, Hays, Macro 4, McDonnell Info, TELECOMMUNICATIONS (1) Security Services, TEXTILES & APPAREL (6) Genz (SR), Haggas (J), Hamlet, Honeysuckle, Readicut, Richards, Sherwood, Sirdar, TRANSPORT (4) Assoc. Brit. Ports, NFC, Ocean, Transport Dev., WATER (1) Mid Kent, AMERICANS (2) CANADIANS (5).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures closed below the day's best after dealers focused on the poor shape of early trading on Wall Street, *writes Joel Kibazo.*

The June contract on the FT-SE 100 Index ended at 3,042, up 3 from its previous finish but at a 3-point discount to cash.

Earlier, a tentative start to trading at 3,032 was quickly followed by a bout of selling from independent, or local, traders, which saw June fall to 3,025, the low of the day.

However, favourable UK average earnings data boosted UK gilts and helped to bring about a recovery in June, and dealers reported the return of some of the very big institutions to the market which had remained on the sidelines in the previous two sessions of the week.

June continued in positive territory over the next few hours, reaching a high of 3,050 before it was undermined by the poor opening in New York.

Total volume at the close stood at 17,906, with 6,977 lots traded in the September contract as "roll over" activity continued ahead of tomorrow's expiry.

In traded options, which will also see the expiry of the index options, turnover rose to 33,182 contracts, of which 13,692 was in the FT-SE 100 option and 4,584 in the Euro FT-SE option. Glaxo, also busy in the equities, was the busiest stock option with a total of 2,438 lots dealt.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3033.0	3042.0	+3.0	3050.0	3025.0	17906	25552
Sep	3046.0	3054.0	+2.5	3062.0	3038.0	6977	34646
Dec		3064.0	+3.0			0	752

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3557.5	3558.0	-17.0	3558.0	3557.5	31	2848
Sep	3577.0	3570.0	-16.0	3577.0	3570.0	34	2990

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	3558.0	-	-	-	-	771

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3045) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Jun	196½	½	146½	½	98½	½	48½	3	10	18½	1	61	½	111	½	161
Jul	206	10	161	15½	120	25	85	39½	57	62	35½	91	20	126½	9½	168½
Aug	224	25½	184	35	147½	48½	114½	66	85½	85½	63	114	43½	145	30	182½
Sep	249	37	203½	50	166½	63½	135½	82½	106	103	81½	130	61	160	46½	194
Dec†			239	82			180	120½			127½	166			82½	222

Calls 7,452 Puts 6,687

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Jun	167½	½	117½	½	68½	1½	22½	7	3½	35	1	83	½	133	½	183
Jul	182	11	140	19	102½	31	70½	48½	46	74½	28	108	16½	143½	7½	185½
Aug			165	40			100	74½			53	125½			24	196
Sep			181½	54½			129	91			71	141			37½	206
Dec†			221½	86½			169½	122½			112	171			75	231½

Calls 2,413 Puts 2,217 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650	3700	3750	3800	3850
Jun	63	2	25	14	5½	45					

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Jun 15	Day's chge%	Jun 14	Jun 13	Jun 10	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3045.8	+0.2	3039.6	3016.3	3055.9	2883.0	4.06	6.89	17.26	48.83	1137.21
FT-SE Mid 250	3559.7	-0.5	3578.7	3595.8	3606.5	3212.0	3.50	5.76	21.07	44.03	1309.22
FT-SE Mid 250 ex Inv Trusts	3560.9	-0.7	3584.4	3603.8	3615.6	3229.5	3.64	6.22	19.66	44.80	1305.65
FT-SE-A 350	1535.4	....	1534.9	1527.6	1544.2	1437.7	3.93	6.63	18.01	23.33	1172.67
FT-SE SmallCap	1857.38	-0.1	1859.23	1861.73	1863.17	1637.87	2.99	3.86	33.36	20.87	1427.09
FT-SE SmallCap ex Inv Trusts	1833.94	-0.2	1836.94	1838.81	1839.16	1644.59	3.15	4.23	31.04	21.48	1412.31
FT-SE-A ALL-SHARE	1526.59	....	1526.23	1519.65	1535.01	1423.44	3.86	6.43	18.62	22.77	1186.16

■ FT-SE Actuaries All-Share

	Jun 15	Day's chge%	Jun 14	Jun 13	Jun 10	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2677.57	-0.1	2680.07	2630.30	2635.83	2228.80	3.49	4.98	28.64	37.98	1084.01
12 Extractive Industries(4)	3903.33	....	3904.74	3872.75	3891.89	3054.70	3.40	5.18	24.23	43.39	1065.20
15 Oil, Integrated(3)	2628.83	-0.1	2632.17	2587.13	2571.07	2159.40	3.50	4.61	27.58	40.43	1066.79
16 Oil Exploration & Prod(11)	1883.07	+0.1	1880.87	1919.92	1922.43	1947.30	3.57	1.32	80.00†	15.82	1079.37
20 GEN MANUFACTURERS(282)	1970.33	-0.2	1974.47	1978.87	1985.59	1792.80	3.83	4.82	27.53	29.29	991.91
21 Building & Construction(31)	1171.19	-1.0	1183.57	1197.47	1202.40	1055.00	3.19	4.16	31.08	15.62	908.90
22 Building Matls & Merchs(31)	1875.72	-0.7	1888.79	1920.22	1940.99	1672.20	3.90	4.17	30.28	30.23	874.46
23 Chemicals(21)	2406.96	-0.4	2417.89	2429.50	2458.72	2231.20	3.86	4.04	31.96	42.32	1056.59
24 Diversified Industrials(16)	1975.61	+0.4	1968.52	1961.94	1976.57	1841.70	4.60	4.52	27.49	38.48	998.05
25 Electronic & Elect Equip(34)	2007.63	+0.5	1997.20	2013.80	2045.22	2043.90	3.67	6.47	18.87	13.06	980.86
26 Engineering(71)	1824.13	-0.6	1836.17	1836.22	1845.66	1568.60	3.01	4.12	29.72	21.02	1031.59
27 Engineering, Vehicles(12)	2301.77	-0.3	2307.75	2310.03	2318.20	1772.30	4.55	2.25	61.69	32.88	1101.10
28 Printing, Paper & Packg(26)	2786.73	+0.1	2784.69	2752.26	2781.18	2316.50	2.98	5.12	23.13	37.63	1087.71
29 Textiles & Apparel(20)	1756.72	-0.7	1769.57	1756.06	1750.23	1815.70	4.00	5.71	22.58	29.46	987.32
30 CONSUMER GOODS(95)	2668.27	+1.0	2642.22	2615.36	2663.00	2682.00	4.38	7.59	15.43	50.59	907.44
31 Breweries(17)	2183.53	+0.2	2179.17	2162.32	2189.63	2008.20	4.32	7.73	15.88	38.16	971.17
32 Spirits, Wines & Ciders(10)	2641.27	-0.2	2645.96	2619.96	2661.56	2602.70	3.89	6.89	17.30	58.78	946.70
33 Food Manufacturers(23)	2200.54	+0.2	2196.54	2192.93	2206.80	2250.50	4.35	8.22	14.16	42.75	915.46
34 Household Goods(13)	2484.90	+1.2	2456.42	2461.07	2464.07	2282.70	3.53	7.40	16.25	40.74	885.34
36 Health Care(20)	1678.72	+0.2	1675.07	1686.80	1681.61	1691.60	3.04	3.02	71.63	19.00	963.46
37 Pharmaceuticals(11)	2898.83	+3.2	2807.96	2749.96	2791.80	2988.10	4.41	7.57	15.21	47.20	907.10
38 Tobacco(1)	3468.89	-1.4	3519.22	3515.03	3624.09	3704.70	6.06	9.82	11.62	102.35	772.45
40 SERVICES(220)	1954.26	-0.3	1960.34	1955.35	1978.22	1798.00	3.11	6.27	18.99	23.05	950.19
41 Distributors(31)	2744.05	-0.5	2756.90	2780.44	2795.47	2659.30	3.24	6.33	18.58	35.04	940.59
42 Leisure & Hotels(23)	2150.09	+0.4	2141.06	2134.91	2150.12	1820.00	3.40	4.44	26.16	19.42	1048.22
43 Media(39)	2975.11	....	2976.71	2959.02	3006.57	2331.30	2.18	4.99	23.44	35.55	1026.25
44 Retailers, Food(17)	1629.52	-0.1	1631.92	1625.68	1649.05	1961.60	3.90	11.10	10.77	25.18	964.20
45 Retailers, General(44)	1680.35	-0.6	1689.79	1683.21	1701.64	1490.80	3.04	6.34	19.57	24.39	892.39
48 Support Services(40)	1562.21	-0.5	1569.58	1578.05	1585.43	1494.60	2.63	6.02	19.55	13.75	940.66
49 Transport(15)	2300.64	-1.0	2324.87	2318.78	2354.47	2073.00	3.65	5.08	21.71	15.14	887.57
51 Other Services & Business(10)	1196.27	+1.0	1184.07	1190.19	1195.85	1232.60	4.47	2.29	80.00†	5.91	1012.37
60 UTILITIES(36)	2214.32	-1.4	2245.05	2240.51	2263.34	2147.60	4.69	8.56	14.41	20.02	834.92
62 Electricity(17)	2146.76	-2.0	2190.45	2174.51	2166.57	1776.70	4.07	11.74	10.36	24.67	871.88
64 Gas Distribution(2)	1806.26	-5.8	1916.87	1921.06	1950.10	1965.50	6.83	‡	‡‡	53.43	825.48
66 Telecommunications(4)	1953.21	+0.4	1944.71	1946.00	1991.46	2006.60	4.23	7.96	15.30	0.09	812.38
68 Water(13)	1719.60	-0.9	1735.76	1730.55	1720.43	1677.10	5.61	14.07	8.04	19.72	837.26
69 NON-FINANCIALS(831)	1649.39	-0.1	1651.77	1644.04	1660.73	1542.39	3.87	6.27	19.29	23.10	1150.68
70 FINANCIALS(102)	2158.26	+0.8	2138.69	2131.10	2154.65	2020.90	4.18	8.29	14.05	44.73	845.00
71 Banks(10)	2807.82	+1.2	2773.94	2756.55	2787.72	2516.60	3.86	8.26	14.07	58.07	831.57
73 Insurance(17)	1230.40	+0.8	1221.04	1208.09	1230.80	1337.40	5.24	11.72	8.54	28.44	831.93
74 Life Assurance(6)	2304.02	+0.4	2294.94	2300.30	2322.91	2563.90	5.39	7.90	15.55	68.38	874.67
75 Merchant Banks(6)	2795.72	+0.4	2785.07	2816.29	2838.70	2542.50	3.58	12.06	9.72	44.45	834.89
77 Other Financial(24)	1814.27	....	1814.24	1822.93	1825.07	1486.50	3.74	7.31	18.09	25.87	957.08
79 Property(36)	1519.89	-0.1	1521.42	1529.09	1539.98	1348.60	4.01	4.13	29.99	23.00	882.09
80 INVESTMENT TRUSTS(122)	2759.80	+0.4	2747.87	2750.81	2763.13	2388.20	2.22	1.87	54.07	27.42	921.86
89 FT-SE-A ALL-SHARE(855)	1526.59	....	1526.23	1519.65	1536.01	1423.44	3.86	6.43	18.62	22.77	1186.16

■ Hourly movements

	Open	9.00	10.00	11.00	*12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3044.9	3039.2	3047.4	3049.7	3050.1	3047.9	3045.9	3048.8	3045.4	3050.4	3035.4
FT-SE Mid 250	3560.9	3574.5	3568.8	3568.3	3565.3	3564.1	3562.9	3562.0	3560.1	3581.0	3559.7
FT-SE-A 350	1537.2	1534.3	1537.0	1537.8	1537.6	1536.7	1535.8	1536.0	1535.3	1537.8	1532.9

Time of FT-SE 100 High 11.46am Low 8.47am

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1113.4	1110.5	1106.3	1104.0	1102.8	1101.2	1099.2	1099.0	1099.4	1099.2	1115.4	-16.2
Pharmaceuticls	2805.7	2813.2	2843.7	2853.3	2853.5	2852.0	2851.7	2875.1	2874.2	2872.6	2781.3	+91.3
Water	1731.7	1729.3	1725.6	1721.9	1722.6	1721.7	1721.9	1721.4	1717.8	1717.3	1733.6	-16.3
Banks	2825.7	2823.5	2831.4	2837.8	2839.5	2837.2	2837.8	2843.5	2841.2	2842.3	2807.9	+34.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. The FT "500" has been renamed FT-SE-A Non-Financials Index. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DELETION: NMC Group (25)

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	3,300	55	-1
Abbey National†	2,500	427	-3
Albert Fisher	278	53	
Allied-Lyons†	942	575	
Anglian Water	815	505	
Argos	87	345	-1
Argyll Group†	2,800	244	-3
Arjo Wiggins†	1,800	275	-2
Assoc. Brit. Foods†	572	517	-1
Assoc. Brit. Ports	484	235	-8
BAA†	368	938	-2½
BAT Inds.†	2,500	414	-6
BET	8,800	119	-2
BICC	708	408	+4
BOC†	1,600	732	+3
BP†	13,000	405	-1½
BPB Inds.	486	294	-5
BT†	5,700	372	+½
BT (P/Paid)	2,900	254	+½
BTR†	4,100	367	
Bank of Scotland†	1,900	189	
Barclays†	8,600	560	+10
Bass†	1,200	518	+2
Blue Circle†	853	261	-1
Booker	371	392	+4
Boots†	1,200	529	-2
Bowater†	1,100	448	+6
Brit. Aerospace†	883	470	+8
British Airways†	1,300	399	+5
British Gas†	27,000	271½	-17
British Land	171	385	-3
British Steel†	8,100	136½	
Bunzl	1,000	165	-3
Burmah Castrol†	420	871	+2
Burton	2,100	58½	-½
Cable & Wire†	3,900	438	+4½
Cadbury Schweppes†	1,500	443	-1
Calor Group	77	260	-8
Caradon†	127	315	-4
Carlton Comms.†	569	871	+6
Coats Viyella†	1,400	235	-3
Comm. Union†	1,100	518	+3
Cookson	862	259	+1
Courtaulds†	223	510	-5
Dalgety	95	413	
De La Rue†	989	881	+1
Dixons	1,500	188	
Eastern Elect.	862	592	-18
East Midland Elect.	504	579	-20
Eng China Clays	506	350	-8
Enterprise Oil†	2,000	391	+1
Eurotunnel Units	444	317	-11
FKI	482	173	-3
Fisons	2,800	148	
Foreign & Col. I.T.	1,900	141	+1
Forte†	1,100	236	-1
Gen. Accident†	473	554	+6
General Elect.†	5,800	301	+3½
Glaxo†	11,000	585	+22
Glynwed	481	343½	-9
Granada†	1,400	532	+3
Grand Met.†	3,000	427	+1½
GUS†	319	579	-3
GRE†	1,600	182	+2
GKN	1,000	586	-4
Guinness†	3,000	488	-4
HSBC (75p shs)†	3,400	715	+14
Hammerson	147	348	+4
Hanson†	5,800	255¼	+3
Harrisons Crosfield	3,500	189	-3
Hays	153	281	-5
Hillsdown	7,800	165	
IMI	358	313	-2½
ICI†	2,900	776	-10
Inchcape†	1,400	464	-4
Johnson Matthey	95	539	-4½
Kingfisher†	627	510	-9
Kwik Save	196	585	+4
Ladbroke†	2,400	165	+1
Land Securities†	2,300	627	+1
Laporte	156	749	+8
Legal & General†	379	442	+1
Lloyds Abbey	287	349	
Lloyds Bank†	3,600	560	-6
LASMO	2,900	143½	
London Elect.	1,200	571	-16
Lonrho	2,600	129½	-1½
Lucas	594	186	-1
MEPC†	964	427	+4
MFI	1,500	149½	-1½
Manweb	528	690	-20
Marks & Spencer†	1,300	410	-5
Midlands Elect.	442	679	-20
Morrison (Wm.)	305	125	
NFC†	6,100	198	-21
NatWest Bank†	7,500	474	+10
National Power†	2,300	434	-7
Next	4,000	249	
North West Water†	1,200	491	-8
Northern Elect.	294	670	-18
Northern Foods†	1,600	215	+3
Norweb	310	628	-17
Pearson†	376	619	+1
P & O†	799	638	+4
Pilkington	749	179	+1
PowerGen†	6,600	482	
Prudential†	7,800	259	+1
RMC†	369	848	-7
RTZ†	1,300	869	+1
Racal	1,800	236	+½
Rank Org.†	2,700	399	+3
Reckitt & Colman†	475	598	+10
Redland†	503	490	-1
Reed Intl.†	708	819	+4
Rentokil†	819	219	
Reuters†	1,800	475	+1
Rolls Royce†	5,300	186	-6
Ryl Bk Scotland†	2,300	410	+2
Royal Insurance†	7,100	255	+3
Sainsbury†	1,800	395	+4
Schroders	23	1196	
Scottish & New.†	698	517	-2
Scot. Hydro-Elect.	283	345	-7
Scottish Power†	2,400	364	-7
Sears†	6,500	121½	+½
Sedgwick	287	179	+1
Seeboard	1,400	330	-12
Severn Trent†	1,700	519	-8
Shell Transport†	3,900	714	+1
Siebe†	594	563	-6
Slough Ests	781	237	-3
Smith (W.H.) A	189	492	
Smith & Nephew†	1,400	151½	+¼
SmKl Beecham†	4,500	419½	+13½
SmKl Beecham Uts.†	2,700	378	+8
Smiths Inds.	474	486	-8
Southern Elect.†	351	577	-13
South Wales Elect.	810	629	-4
South West Water	524	510	-1
South West. Elect.	75	605	-14
Southern Water	372	518	-8
Standard Chartd.†	1,200	280	+6
Storehouse	643	216	-7
Sun Alliance†	1,000	326	+4
T&N	680	239	+4
TI Group†	1,500	372	+8
TSB†	2,900	224	+4
Tarmac†	2,900	149	+1
Tate & Lyle	383	408	+2
Taylor Woodrow	806	131	
Tesco†	3,000	230½	-2½
Thames Water†	3,800	470	-10½
Thorn EMI†	1,100	1080	+8
Tomkins†	2,000	227	+3
Trafalgar House	1,800	89	
Unigate	814	387	+3
Unilever†	742	1010	
United Biscuits†	247	325	+3
Utd. Newspapers	343	610	-4
Vodafone†	868	512	+4
Warburg (SG)†	582	723	+2
Wellcome†	2,100	618	+24
Welsh Water	69	612	-1
Wessex Water	347	608	-2
Whitbread†	897	542	+3
Williams Hdgs.†	319	355	-1
Willis Corroon	610	165	-2
Wimpey	1,700	155	
Wolseley†	245	753	-2
Yorkshire Elect.	587	574	-18
Yorkshire Water	1,600	474	-8
Zeneca†	2,700	727	+19

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	540	45½	58	-	6	14	-
(*574)	580	14	29½	-	26	35	-
Argyll	240	8½	17½	22½	13	17½	23
(*244)	260	3	10½	15	28½	31½	35½
ASDA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*55)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Hanson	240	20½	25	28	3	8	11
(*255)	260	8½	14	17½	11½	17	20½
Lasmo	134	14	19½	-	5	8½	-
(*143)	154	4½	10	-	15½	18½	-

The remainder of the LIFFE Equity Options table: [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	62	2	8
Other Fixed Interest	5	0	10
Mineral Extraction	29	83	88
General Manufacturers	94	185	382
Consumer Goods	40	29	122
Services	78	89	344
Utilities	7	29	10
Financials	67	105	201
Investment Trusts	97	40	333
Others	45	44	47
Totals	522	606	1545

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	June 13	Last Declarations	Sept 15
Last Dealings	June 24	For settlement	Sept 26

Calls: Aran Energy, Cool Inv Wts, GBE, Greenwich Res, LBMS, Minmet, Ovoca, [illegible] Oil, Wakebourne, Wembley. Puts: Minmet, Tullow Oil. Puts & Calls: Bluebird Toys, Ransomes, Tadpole Tech, YTV.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt. paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]					Aero. Hamble	122		W3.74	2.6	3.8	12.1
[illegible]					Amey	165	+2	LN1.06	0.8	5.4	29.9
[illegible]					Argent	268		-	-	-	-
[illegible]					Automotive Prcs	106		LN4.0	0.8	4.7	35.0
[illegible]					Brewin Dolphin	150	-2	L5.8	2.3	4.8	11.1
[illegible]					CAMAS	73	-½	uN3.75	0.7	6.4	34.6
[illegible]					[illegible]	107		-	-	-	-
[illegible]					Cassell	160	+2	W3.9	-	3.0	10.7
[illegible]					Chime Comms.	35		-	-	-	-
[illegible]					DCC	228		LQ34%	3.8	3.0	11.9
[illegible]					Denby	138	+1	W3.1	2.8	2.8	13.2
[illegible]					Fleming Indian	92		-	-	-	-
[illegible]					do Warrants	47		-	-	-	-
[illegible]					Govett Gbl Sl Wt	33½		-	-	-	-
[illegible]					Healthcall	99	+1	WN4.0	1.8	5.1	14.1
[illegible]					Intermediate	232		LN9.9	2.1	5.3	8.1
[illegible]					JF Japan Wrts	74		-	-	-	-
[illegible]					Kays Food	5¼		-	-	-	-
[illegible]					Lombard Ins.	161		WN7.7	2.2	6.0	9.3
[illegible]					London Clubs	232	+2	W11.92	1.6	6.4	11.8
[illegible]					Nightfreight	103		R3.38	2.0	4.1	13.6
[illegible]					Norcor	129		W4.56	2.5	4.4	11.0
[illegible]					[illegible]row	120		WN2.7	2.5	2.8	15.2
[illegible]					Scudder Latin	91		-	-	-	-
[illegible]					do Wrts	44		-	-	-	-
[illegible]					Shires HY Smlr C	99		-	-	-	-
[illegible]					Spargo Cons	113		L1.6	1.5	1.8	44.6
[illegible]					Specialty Shops	130		L2.4	-	2.3	-
[illegible]					TR Euro Gwth C	98		-	-	-	-
[illegible]					TR Prop Inv C	92		-	-	-	-
[illegible]					UPF	120	+1	W3.67	2.7	3.8	10.3
[illegible]					Vymura	163		L4.44	2.2	3.4	15.8

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
[illegible]	Nil		6pm	5½pm	Britton	5½pm	
[illegible]	Nil		2pm	1½pm	¼Corp. Services	2pm	
[illegible]	Nil		3pm	3pm	Dixon Motors	3pm	
[illegible]	Nil		65pm	28pm	Eurotunnel	29pm	-6
[illegible]	Nil		25pm	22½pm	Evans Halshaw	22½pm	
[illegible]	Nil		10pm	6pm	Headlam	10pm	+2
[illegible]	Nil		2pm	1pm	Higgs & Hill	1½pm	
[illegible]	Nil		19pm	19pm	Jarvis Porter	19pm	-1
[illegible]	Nil		15pm	13pm	McAlpine (A)	13pm	-1
[illegible]	Nil		7pm	7pm	NSM	7pm	
[illegible]	Nil		10pm	7pm	Standard Plat	8pm	-1
[illegible]	Nil		12pm	10pm	Unit	12pm	
[illegible]	Nil		30pm	23pm	Wassall	23pm	-5

FINANCIAL TIMES EQUITY INDICES

	June 15	June 14	June 13	June 10	June 9	Yr ago	*High	*Low
Ordinary Share	2399.8	2387.2	2386.5	2419.3	2401.3	2253.2	2713.6	2321.2
Ord. div. yield	4.21	4.22	4.24	4.18	4.20	4.11	4.32	3.43
Earn. yld. % full	5.66	5.67	5.69	5.61	5.64	4.87	6.76	3.82
P/E ratio net	18.86	18.82	18.75	19.02	18.96	26.29	33.43	18.59
P/E ratio nil	19.53	19.51	19.44	19.72	19.59	24.46	30.80	19.16

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40. FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2399.5	2396.0	2405.4	2404.5	2404.2	2402.0	2400.4	2399.4	2400.7	2405.4	2393.3

	June 15	June 14	June 13	June 10	June 9	Yr ago
SEAQ bargains	22,883	23,141	22,939	22,955	23,353	28,150
Equity turnover (£m)†	-	1562.2	848.5	1264.7	1711.0	1389.8
Equity bargains†	-	25,186	24,854	26,036	27,745	32,177
Shares traded (mil)†	-	534.6	373.8	517.7	592.1	540.4

† Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

	Jun 15	% chg on day	Jun 14	Jun 13	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (35)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ Regional Indices								
Africa (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Copyright, The Financial Times Limited 1994. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: June 15: 225.3; day's change: -1.4 points; Year ago: 173.8 † Partial. Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21½	-⅛	£25⅝	£21⅛	6,326	5.2	ϕ
ANZ A$		209	+1¼	278¼	198	2,881	4.6	15.4
Abbey National	♣N□	427	-3	623	381	5,602	4.1	14.4
Allied Irish I£	♣N□	243	-1	314	240	1,881	6.2	9.3
Anglo Irish I£	N□	62xd	—	76	50	178.9	8.3	9.5
Argentaria Y		735¼	+4½	787¼	628	17,895	0.6	ϕ
Banco Bil Viz Pta		£15⅝	-⅛	£16⅞	£14⅛	3,561	5.3	6.9
Banco Sant Pta		£27⅜	—	£29⅞	£23¾	4,222	4.9	ϕ
Bk Ireland I£	♣N□	269xd	—	319	246	1,249	4.7	ϕ
Bank Scotland	♣N□	186xd	—	247	172½	2,291	3.3	15.5
9¼pc Pf		116¼	+¼	141½	114½	116.2	9.9	—
9¾pc Pf		121¾	+½	146½	119½	121.8	10.0	—
Barclays	♣N□	569	+10	640	467	9,111	3.4	23.2
Dai Ichi Kan Y		£12¾	-⅛	£12⅞	£10⅞	38,362	0.4	69.7
Deutsche DM		£297⅞	+4⅜	£344¼	£291⅞	14,195	2.0	—
Espirito Santo		£19⅛	+⅛	£22⅛	£18¼	208.3	4.1	4.7
First Nat Fin	N□	76	—	90	60	128.1	2.5	—
6.3pc Cr Pf		80xd	—	90	77	5.38	9.8	—
7pc Cr Pf		147½xd	+½	171	123	87.1	8.2	—
Fuji Bank Y		1488½	-18½	1540¼	1152½	42,958	0.4	ϕ
HSBC HK	N□	783	+13	1133	687	12,827	4.0	12.9
HSBC (75p Shs)	N□	775	+14	1113	688	6,066	4.1	12.3
Lloyds	N□	569	-6	690	530	7,224	4.9	11.5
Mitsubishi Y		£17⅝	-⅛	£18⅞	£15⅜	30,697	0.3	ϕ
Mits Tst & Bk Y		1107½	-35	1162¼	667½	14,422	0.5	17.8
Mitsui Tst & Bk Y		816¼	-18¼	878	514	9,780	0.7	27.8
Nat Aust A$	†	529½	-8	629¼	529	7,084	4.8	12.8
NatWest	N□	474	+10	622	421	7,987	4.9	10.8
Ottomans FFr		£23½	—	£33	£23½	117.6	6.2	ϕ
Ryl Bk Scotland	♣†N□	416xd	+2	528	382½	3,287	3.7	18.5
Sakura Y		£9⅞	-⅛	£9⅞	£8⅛	30,028	0.8	58.6
Sanwa Y		£14⅝	-⅛	£15⅜	£11⅞	41,887	0.4	ϕ
Standard Chartd	N□	290	+6	328¼	223	2,689	2.7	12.3
7 3/8pc Pf		91½	+½	106½	89½	91.5	10.1	—
Sumitomo Y		£13⅛	-⅛	£16¼	£11½	43,832	0.4	30.1
Sumitomo Tst Y		1077	-39¼	1149½	625	13,397	0.5	ϕ
TSB	N□	224	+4	291	202½	3,427	4.3	15.3

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PROPERTY - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£27½	—	£27½	£13½	1,761	2.7	20.1
Barlow		95¼	—	95⅞	£3⅞	1,030	6.3	9.5
Gold Flds Prop R		161	—	165	76	18.3	9.9	9.0
NK Props	s	85	—	95	85	3.42	10.5	34.9
SASOL	♥	348	-1	382	280	1,980	4.5	—
SA Brews		£13⅝xd	—	£15⅝	£10	7,113	2.1	21.7
Tiger Oats	†	675xd	—	838	538	1,814	2.3	14.3
Tongaat-Hulett		707	—	787	434	529.1	2.2	19.7

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
r Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT7285. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The minimum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✱) - 0001 to 1100 hours; (✦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Abbey Life Assurance Co Ltd

[illegible]

Abbey National Life Plc

[illegible]

Canada Life Group

[illegible]

Family Assurance Friendly Society Ltd

[illegible]

Ideal Benefit Society

[illegible]

M & G Life and M & G Pensions - Contd.

[illegible]

Norwich Union Life Insurance Soc.

[illegible]

Prudential Corporate Pension Funds - Contd.

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

Scottish Mutual Assurance plc
109 St Vincent St, Glasgow 041-248 6321

Sun Alliance Group - Contd.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Schroder Mngt Services (Jersey) Ltd

Scrimgeour Kemp-Gee Mngmt., Jersey

TSB Trust Funds (CI)

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Abtrust Fund Mngrs Luxembourg SA (u)

American Phoenix Investment Portfolios (u)

BAII Intermarket Fund

Fleming Group - Contd.

Foreign & Colonial Emerging Markets Ltd (u)

Frontrunner I (u)

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

Henderson Management SA (u)

S.G. Warburg Asset Mngmt Lux SA

LUXEMBOURG (REGULATED)

Aetna International Umbrella Fund (u)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

UK data buoys futures

The short sterling futures contract for December rose more than 20 basis points yesterday as better than expected UK economic data prompted the markets to revise interest rates slightly downwards, *writes Motoko Rich.*

A below-forecast underlying rate of UK average earnings in April also drove up gilt prices, but failed to help the pound break out of its narrow trading margins in the aftermath of the European and by-elections.

The December short sterling contract closed at 93.94 from 93.72, discounting a short-term interest rate of 6.06 per cent. Sterling closed in London at DM2.4862 against the D-Mark, from DM 2.4951 on Tuesday. Against the dollar, the pound closed at $1.5203 from $1.5175.

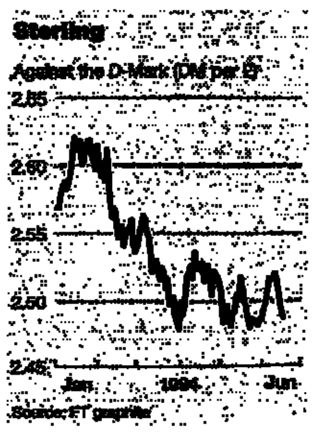
The market's bearish attitude toward the dollar was confirmed by weaker economic data from the US and it fell close to SFr1.38, its lowest level against the Swiss franc since September 1993.

■ A raft of UK statistics gave further evidence of a gradual economic recovery with subdued inflationary pressures. The markets welcomed a smaller than expected 3.75 per cent rise in the underlying rate of UK average earnings in April. The annual rate had been expected to rise to 4.25 per cent after March's 4.00 per cent.

In the three months to April, the UK's unit wage costs were 1.9 per cent higher than in the same period of 1993, compared with annual growth of 2.2 per cent in the three months to March.

The retail price index, the economy's key inflation measure, rose a year-on-year 2.6 per cent in May, the same as in April, but the underlying rate rose to 2.5 per cent. Analysts attributed this rise to one-off seasonal factors which the markets did not take seriously. Unemployment fell to 9.4 per cent in May, down from 9.5 per cent in April.

Mr Neil MacKinnon, chief economist at Citibank in London, said short sterling futures contracts reacted positively to the news. "The markets drew the conclusion that the probability of an early base rate increase has receded," he said.



■ Pound in New York

Jun 15	—Latest—	— Prev. close —
£ spot	1.5195	1.5194
1 mth	1.5187	1.5186
3 mth	1.5175	1.5173
1 yr	1.5118	1.5109

Sterling itself did not show any dramatic reactions to the data. "The absence of an interest rate increase obviously takes away some support for the pound," said Mr MacKinnon. He said the markets were waiting for more clues on interest rates from last night's Chancellor's Mansion House speech.

In the UK money markets, the Bank of England provided late assistance of £245m. Earlier it had provided £13m after forecasting a shortage of £500m. The overnight lending rate traded between 6 and 4⅝ per cent.

■ Weak US data, combined with a change in sentiment regarding the Fed's plans to raise interest rates this summer, forced the dollar to breach its limit against the Swiss franc and to test its downside against the D-Mark. Analysts described the US currency's drop against the Swiss franc as a technical fall, which was also reflected in the dollar's performance against the D-Mark.

The US currency closed at DM1.6354 against the D-Mark from DM1.6443 and at Y102.750 from Y102.665. Mr Adrian Cunningham, senior currency economist at UBS, said the dollar was now expressing its own weakness rather than the strength of the D-Mark earlier this week. "The weakness of the dollar is in contrast to the pattern of the last few days where the stability of the US Treasury market has allowed the dollar to hold up," he said.

US industrial output rose 0.2 per cent in May against forecasts of remaining unchanged from April, while the capacity utilisation rate fell to 83.5 per cent, in line with market expectations, from April's 83.6 per cent. Business inventories rose 0.2 per cent, after falling a revised 0.1 per cent in March and business sales fell 0.8 per cent after a revised increase of 1.4 per cent in March.

Mr Anthony Norfield, UK treasury economist at ABN/AMRO, said investors are wary of breaching certain limits against key currencies such as the D-Mark or sterling. "But the Swiss franc tends to be a free animal," he said.

He said the markets were driving the dollar down in an attempt to search out the central banks. Although the Bank of Japan intervened earlier this week to shore up the dollar, at present there is no sign that the Bundesbank will do the same. Mr Norfield said: "If we saw another drop to DM1.625, then I think that would rouse the central banks to prevent a dollar collapse."

■ Elsewhere in Europe, as expected, the Bundesbank announced a five basis point fall in the repo rate to 5.05 per cent. The D-Mark remained fairly stable against other European currencies. Against the French franc, the D-Mark finished at Ffr3.410, from Ffr3.412 and against the Danish krone, it closed at Dkr3.911, almost unchanged from Dkr3.912.

A five basis point cut to 5.05 per cent in the key central rate by the Belgian National Bank and a fall in the overnight interest rate to 6.55 per cent failed to move the Belgian currency. The D-Mark closed at BFr 20.57 against the Belgian franc, down slightly from 20.58.

■ OTHER CURRENCIES

Jun 15	£	$
Hungary	158.897 - 158.900	103.090 - 103.190
Iran	2655.00 - 2663.00	1748.00 - 1750.00
Kuwait	0.4516 - 0.4530	0.2971 - 0.2979
Poland	34291.2 - 34376.5	22560.0 - 22610.0
Russia	2964.58 - 2969.15	1950.00 - 1953.00
U.A.E.	5.5765 - 5.5879	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jun 15		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.4905	-0.0733	838 - 972	17.5975	17.4838	17.4867	0.3	17.4611	0.2	-	-	114.1
Belgium	(BFr)	51.1299	-0.2138	994 - 603	51.4290	51.0994	51.1199	0.2	51.0899	0.3	51.0349	0.2	115.4
Denmark	(DKr)	9.7220	-0.039	189 - 251	9.7834	9.7285	9.7297	-1.0	9.7434	-0.9	9.7575	-0.4	116.0
Finland	(FM)	8.3369	-0.0194	279 - 459	8.3780	8.3190	-	-	-	-	-	-	80.0
France	(FFr)	8.4781	-0.0357	740 - 821	8.5312	8.4740	8.4823	-0.6	8.4877	-0.5	8.4671	0.1	108.8
Germany	(DM)	2.4862	-0.0089	852 - 872	2.5058	2.4852	2.4864	-0.1	2.4868	-0.1	2.4688	0.7	124.0
Greece	(Dr)	375.730	-0.977	288 - 172	377.836	375.288	-	-	-	-	-	-	-
Ireland	(I£)	1.0179	-0.0062	170 - 187	1.0263	1.0170	1.0182	-0.3	1.0191	-0.5	1.0197	-0.2	104.6
Italy	(L)	2420.31	-5.49	938 - 124	2436.28	2419.38	2426.41	-3.0	2437.86	-2.9	2477.21	-2.4	77.3
Luxembourg	(LFr)	51.1299	-0.2138	994 - 603	51.4290	51.0994	51.1199	0.2	51.0899	0.3	51.0349	0.2	115.4
Netherlands	(Fl)	2.7836	-0.0108	816 - 856	2.8007	2.7816	2.7834	0.1	2.7836	0.0	2.7652	0.7	119.4
Norway	(NKr)	10.7898	-0.0298	865 - 931	10.8482	10.7865	10.7842	0.6	10.7967	-0.3	10.7879	0.0	95.9
Portugal	(Es)	257.911	-1.27	640 - 181	259.796	257.640	258.886	-4.5	260.831	-4.5	-	-	-
Spain	(Pta)	204.849	-0.518	562 - 735	206.107	204.582	205.159	-3.0	206.079	-2.8	208.874	-2.1	85.2
Sweden	(SKr)	11.9399	-0.0487	312 - 466	12.0308	11.9312	11.9619	-2.3	11.9969	-1.9	12.0949	-1.3	74.9
Switzerland	(SFr)	2.0881	-0.015	870 - 892	2.1078	2.0870	2.087	0.6	2.0848	0.6	2.0642	1.1	119.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.0
Ecu	-	1.2909	-0.0057	904 - 914	1.2979	1.2904	1.2919	-0.9	1.2882	0.9	1.2926	-0.2	-
SDR	-	0.935897	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5176	+0.0026	173 - 179	1.5195	1.5138	-	-	-	-	-	-	-
Brazil	(Cr)	3396.55	+66.28	797 - 912	3403.00	3331.00	-	-	-	-	-	-	-
Canada	(C$)	2.1060	+0.005	052 - 067	2.1097	2.1006	2.1075	-0.8	2.112	-1.1	2.1346	-1.4	86.4
Mexico	(New Peso)	5.1126	-0.0065	072 - 180	5.1180	5.1052	-	-	-	-	-	-	-
USA	($)	1.5203	+0.0028	200 - 205	1.5225	1.5167	1.5195	0.6	1.5183	0.5	1.5128	0.5	64.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0816	+0.0007	805 - 826	2.0894	2.0775	2.0809	0.4	2.0793	0.4	2.0783	0.2	-
Hong Kong	(HK$)	11.7523	+0.0133	496 - 550	11.7891	11.7241	11.7442	0.8	11.7404	0.4	11.7672	-0.1	-
India	(Rs)	47.6884	+0.0841	748 - 019	47.7530	47.5830	-	-	-	-	-	-	-
Japan	(Y)	156.206	+0.417	104 - 307	156.680	156.104	155.826	2.9	155.021	3.0	151.091	3.3	188.7
Malaysia	(M$)	3.9474	+0.0093	452 - 495	3.9521	3.9371	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5897	-0.0001	881 - 912	2.5958	2.5856	2.589	0.3	2.5926	-0.4	2.5991	-0.4	-
Philippines	(Peso)	41.1989	+0.0759	880 - 097	41.5097	40.8154	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7017	+0.0108	005 - 028	5.7097	5.6865	-	-	-	-	-	-	-
Singapore	(S$)	2.3291	+0.0048	279 - 302	2.3322	2.3251	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5063	+0.0186	032 - 073	5.5122	5.4801	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2744	-0.017	580 - 908	7.2908	7.2580	-	-	-	-	-	-	-
South Korea	(Won)	1225.86	+1.2	558 - 613	1227.58	1223.07	-	-	-	-	-	-	-
Taiwan	(T$)	41.1209	+0.0776	122 - 295	41.1798	41.0267	-	-	-	-	-	-	-
Thailand	(Bt)	38.2191	+0.0704	976 - 406	38.2800	38.1580	-	-	-	-	-	-	-

†SDR rate for Jun 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.5050	-0.0695	025 - 075	11.5935	11.5025	11.5125	-0.8	11.516	-0.4	11.4408	0.6	103.3
Belgium	(BFr)	33.6325	-0.203	180 - 470	33.8800	33.6180	33.6575	-0.9	33.7025	-0.8	33.7375	-0.3	104.6
Denmark	(DKr)	6.3950	-0.0375	940 - 960	6.4468	6.3940	6.4035	-1.6	6.418	-1.4	6.45	-0.9	104.3
Finland	(FM)	5.4839	-0.0229	789 - 889	5.5206	5.4683	5.4881	-0.9	5.4964	-0.9	5.5489	-1.2	74.8
France	(FFr)	5.5768	-0.0338	750 - 785	5.6205	5.5735	5.5825	-1.2	5.5906	-1.0	5.5563	0.4	104.8
Germany	(D)	1.6354	-0.0089	350 - 358	1.6480	1.6335	1.6364	-0.7	1.6373	-0.5	1.632	0.2	104.9
Greece	(Dr)	247.150	-1.1	900 - 400	248.700	246.900	248.5	-6.6	249.35	-3.6	251.65	-1.8	67.8
Ireland	(I£)	1.4936	+0.0118	926 - 946	1.4946	1.4787	1.4924	1.0	1.4899	1.0	1.4836	0.7	-
Italy	(L)	1592.05	-6.65	170 - 240	1604.10	1591.70	1596.9	-3.7	1605.7	-3.4	1637.55	-2.9	77.8
Luxembourg	(LFr)	33.6325	-0.203	180 - 470	33.8800	33.6180	33.6575	-0.9	33.7025	-0.8	33.7375	-0.3	104.6
Netherlands	(Fl)	1.8310	-0.0105	300 - 320	1.8456	1.8300	1.8321	-0.8	1.8332	-0.5	1.828	0.2	104.4
Norway	(NKr)	7.0974	-0.0327	964 - 984	7.1469	7.0945	7.1009	-0.6	7.1109	-0.8	7.0449	0.7	95.7
Portugal	(Es)	169.650	-1.15	500 - 800	171.250	169.500	171.305	-11.7	173.725	-9.6	178	-4.9	92.4
Spain	(Pta)	134.615	-0.59	580 - 650	135.620	134.580	135.02	-3.6	135.735	-3.3	138.075	-2.6	80.3
Sweden	(SKr)	7.8533	-0.0466	495 - 570	7.9209	7.8495	7.8708	-2.7	7.9023	-2.5	8.0228	-2.2	79.8
Switzerland	(SFr)	1.3735	-0.0125	730 - 740	1.3885	1.3730	1.3736	-0.1	1.3731	0.1	1.3646	0.7	105.2
UK	(£)	1.5203	+0.0028	200 - 205	1.5225	1.5167	1.5195	0.6	1.5183	0.5	1.5128	0.5	88.7
Ecu	-	1.1777	+0.0055	774 - 779	1.1781	1.1697	1.1761	1.6	1.1737	1.4	1.1853	-0.6	-
SDR	-	1.42275	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9983	-0.0001	982 - 983	0.9984	0.9981	-	-	-	-	-	-	-
Brazil	(Cr)	2235.52	+39.54	551 - 553	2235.53	2235.50	-	-	-	-	-	-	-
Canada	(C$)	1.3853	+0.0007	850 - 855	1.3884	1.3832	1.387	-1.5	1.3905	-1.5	1.4068	-1.6	82.9
Mexico	(New Peso)	3.3630	-0.0105	600 - 660	3.3680	3.3600	3.364	-0.4	3.3658	-0.3	3.3732	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	99.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3692	-0.0021	687 - 697	1.3736	1.3687	1.3695	-0.3	1.3696	-0.1	1.3733	-0.3	88.1
Hong Kong	(HK$)	7.7305	-0.0055	300 - 310	7.7355	7.7285	7.73	0.1	7.7325	-0.1	7.7467	-0.2	-
India	(Rs)	31.3688	-0.0025	650 - 725	31.3725	31.3650	31.4488	-3.1	31.5938	-2.9	-	-	-
Japan	(Y)	102.750	+0.085	700 - 800	103.070	102.630	102.555	2.3	102.105	2.5	99.86	2.8	147.9
Malaysia	(M$)	2.5965	+0.0013	955 - 975	2.5975	2.5940	2.589	3.5	2.5855	1.7	2.6165	-0.8	-
New Zealand	(NZ$)	1.7035	-0.0032	027 - 042	1.7065	1.7027	1.7054	-1.3	1.71	-1.5	1.7317	-1.7	-
Philippines	(Peso)	27.1000	-	000 - 000	27.3000	26.9000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7506	3.7503	3.7511	-0.2	3.7531	-0.3	3.7658	-0.4	-
Singapore	(S$)	1.5320	+0.0001	315 - 325	1.5325	1.5315	1.5313	0.6	1.531	0.3	1.533	-0.1	-
S Africa (Com.)	(R)	3.6213	+0.0055	205 - 220	3.6225	3.6115	3.6368	-5.1	3.6651	-4.8	3.7418	-3.3	-
S Africa (Fin.)	(R)	4.7850	-0.02	750 - 950	4.7950	4.7750	4.8167	-8.5	4.8775	-7.7	-	-	-
South Korea	(Won)	806.350	-0.7	300 - 400	807.100	806.300	809.35	-4.5	812.85	-3.2	831.35	-3.1	-
Taiwan	(T$)	27.0488	+0.0013	475 - 500	27.0560	27.0475	27.0688	-0.9	27.1088	-0.9	-	-	-
Thailand	(Bt)	25.1400	-	300 - 500	25.1500	25.1300	25.2125	-3.5	25.34	-3.2	25.82	-2.7	-

†SDR rate for Jun 14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 14. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

June 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.01	16.58	4.862	1.991	4733	5.445	21.10	504.4	400.2	23.35	4.084	1.956	4.119	2.973	305.5	2.525
Denmark	(DKr)	52.59	10	8.720	2.557	1.047	2489	2.864	11.10	265.3	210.5	12.28	2.148	1.029	2.166	1.563	160.7	1.328
France	(FFr)	60.31	11.47	10	2.932	1.201	2854	3.284	12.73	304.2	241.3	14.08	2.463	1.180	2.484	1.793	184.2	1.523
Germany	(DM)	20.57	3.911	3.410	1	0.409	973.5	1.120	4.340	103.7	82.30	4.803	0.840	0.402	0.847	0.611	62.83	0.519
Ireland	(I£)	50.23	9.550	8.328	2.442	1	2377	2.735	10.60	253.3	201.0	11.73	2.051	0.982	2.069	1.493	153.4	1.268
Italy	(L)	2.113	0.402	0.350	0.103	0.042	100.	0.115	0.446	10.66	8.455	0.493	0.086	0.041	0.087	0.063	6.455	0.053
Netherlands	(Fl)	18.37	3.492	3.045	0.893	0.366	869.3	1	3.876	92.64	73.49	4.289	0.750	0.359	0.756	0.546	56.11	0.464
Norway	(NKr)	47.39	9.010	7.857	2.304	0.943	2243	2.580	10	239.0	189.6	11.07	1.935	0.927	1.952	1.409	144.8	1.196
Portugal	(Es)	19.83	3.770	3.287	0.964	0.395	938.3	1.079	4.184	100.	79.33	4.630	0.810	0.388	0.817	0.589	60.57	0.501
Spain	(Pta)	24.99	4.752	4.144	1.215	0.498	1183	1.361	5.274	126.1	100.	5.836	1.021	0.489	1.029	0.743	76.34	0.631
Sweden	(SKr)	42.82	8.142	7.101	2.082	0.853	2027	2.332	9.037	216.0	171.4	10	1.749	0.838	1.764	1.273	130.8	1.081
Switzerland	(SFr)	24.49	4.656	4.060	1.191	0.488	1159	1.333	5.166	123.5	97.99	5.718	1	0.479	1.009	0.728	74.81	0.618
UK	(£)	51.13	9.722	8.478	2.486	1.018	2420	2.784	10.79	257.9	204.6	11.94	2.088	1	2.106	1.520	156.2	1.291
Canada	(C$)	24.28	4.616	4.026	1.180	0.483	1149	1.322	5.123	122.5	97.15	5.670	0.991	0.475	1	0.722	74.17	0.613
US	($)	33.64	6.396	5.578	1.636	0.670	1592	1.832	7.099	169.7	134.6	7.855	1.374	0.658	1.386	1	102.8	0.849
Japan	(Y)	327.3	62.24	54.28	15.92	6.517	15493	17.82	69.08	1651	1310	76.44	13.37	6.402	13.48	9.731	1000.	8.265
Ecu		39.60	7.531	6.567	1.926	0.789	1875	2.156	8.358	199.8	158.5	9.249	1.617	0.775	1.631	1.177	121.0	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Jun 15	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.790510	-0.001923	-2.24	6.31	15
Netherlands	2.19672	2.16161	-0.00166	-1.60	5.61	-
Belgium	40.2123	39.7240	-0.0117	-1.21	5.20	9
Germany	1.94964	1.93059	-0.00023	-0.98	4.95	-
France	6.53883	6.58732	-0.00484	0.74	3.16	-6
Denmark	7.43679	7.55115	-0.00563	1.54	2.35	-11
Spain	154.250	159.049	+0.083	3.11	0.79	-22
Portugal	192.854	200.426	-0.212	3.93	0.00	-26
NON ERM MEMBERS						
Greece	264.513	291.501	-0.037	10.20	-5.70	-
Italy	1793.19	1881.34	+6.87	4.92	-0.94	-
UK	0.786749	0.773489	+0.000173	-1.69	5.71	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6070	0.6109	+0.0035	0.6112	0.6065	36,604	62,126
Dec	0.6085	0.6113	+0.0037	0.6116	0.6085	230	1,272
Mar	-	-	-	-	-	-	-

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9794	0.9799	+0.0005	0.9810	0.9764	23,061	54,450
Dec	0.9869	0.9869	+0.0007	0.9873	0.9860	183	1,964
Mar	-	0.9934	+0.0014	-	-	11	363

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	Aug	Sep	PUTS Jul	Aug	Sep
1.425	9.38	9.33	9.32	-	-	0.12
1.450	6.95	6.99	7.13	-	0.08	0.35
1.475	4.53	4.78	5.13	0.03	0.35	0.76
1.500	2.41	2.89	3.41	0.35	0.95	1.51
1.525	0.88	1.54	2.10	1.31	2.03	2.62
1.550	0.20	0.69	1.18	3.07	3.61	4.18

Previous day's vol., Calls 4,876 Puts 35,380 . Prev. day's open int., Calls 363,587 Puts 341,983

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7216	0.7279	+0.0061	0.7282	0.7205	19,262	39,557
Dec	0.7268	0.7290	+0.0045	0.7288	0.7268	82	871
Mar	-	0.7300	-	0.7300	-	1	1

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5174	1.5200	+0.0026	1.5208	1.5148	9,108	34,753
Dec	-	1.5180	-	1.5190	-	33	275
Mar	-	1.5160	-	1.5160	-	1	15

WORLD INTEREST RATES

MONEY RATES

June 15	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5¾	5⅜	5½	5½	5⅞	7.40	4.50	-
week ago	5¼	5⅜	5⅞	5½	5⅞	7.40	4.50	-
France	5½	5½	5½	5⅝	5⅞	5.30	-	6.75
week ago	5½	5½	5⅝	5¾	5¾	5.30	-	6.75
Germany	5.05	5.05	5.00	5.00	5.08	6.00	4.50	5.05
week ago	5.10	5.05	5.05	5.10	5.12	6.00	4.50	5.10
Ireland	5⅜	5⅜	5⅜	5¾	6⅛	-	-	6.25
week ago	5½	5⅞	5⅝	5¾	6⅛	-	-	6.25
Italy	7⅞	7⅞	7¾	8⅛	8⅞	-	7.00	7.60
week ago	7¼	7⅞	7⅞	7⅞	8⅛	-	7.00	7.60
Netherlands	5.08	5.01	5.02	5.05	5.20	-	5.25	-
week ago	5.08	5.01	5.11	5.14	5.26	-	5.25	-
Switzerland	3¾	4⅛	4⅞	4⅝	4⅞	6.625	3.50	-
week ago	4	4⅛	4⅝	4⅛	4⅝	6.625	3.50	-
US	4⅝	4¼	4½	4⅞	5¼	-	3.50	-
week ago	4½	4¼	4½	4⅞	5⅜	-	3.50	-
Japan	2⅛	2⅛	2⅜	2⅜	2½	-	1.75	-
week ago	1⅞	2⅛	2⅜	2¼	2½	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4⅛	4⅝	4¾	5⅜	-	-	-
week ago	-	4⅛	4⅝	4¾	5⅜	-	-	-
US Dollar CDs	-	4.14	4.34	4.62	5.20	-	-	-
week ago	-	4.14	4.36	4.67	5.21	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅜; 3 mths: 5⅝; 6 mths: 5⅞; 1 year: 6⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 15	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 5	5⅛ - 5	5 7/16 - 5 5/16	5 9/16 - 5 7/16	5½ - 5⅜	5¾ - 5⅝
Danish Krone	5¼ - 5	5¾ - 5½	6 - 5¾	6⅛ - 5⅞	6¼ - 6	6¼ - 6
D-Mark	5 1/16 - 4 15/16	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 3/16 - 5 1/16
Dutch Guilder	5 - 4 13/16	5 - 4 13/16	5 - 4 13/16	5 - 4 13/16	5 - 4 13/16	5 3/16 - 5 1/16
French Franc	5½ - 5⅜	5½ - 5⅜	5½ - 5⅜	5½ - 5⅜	5 9/16 - 5 7/16	5 13/16 - 5 11/16
Portuguese Esc.	15½ - 14¾	16½ - 15½	16 13/16 - 16	15 - 14	13 13/16 - 13¼	12¼ - 11⅝
Spanish Peseta	7⅝ - 7½	7 11/16 - 7 9/16	7¾ - 7 13/16	7 13/16 - 7 11/16	7⅞ - 7¾	8 1/16 - 7 15/16
Sterling	5⅛ - 4⅞	4⅞ - 4¾	4 13/16 - 4⅞	5¼ - 5 1/16	5⅝ - 5 9/16	6 - 6 1/32
Swiss Franc	3⅞ - 3¾	3 15/16 - 3 13/16	4 - 3⅞	4¼ - 4⅛	4⅜ - 4¼	4½ - 4⅜
Can. Dollar	5⅝ - 5⅜	5⅝ - 5⅜	6¾ - 5⅝	6 3/16 - 6 1/16	6¾ - 6⅝	7⅜ - 7¼
US Dollar	4¼ - 4⅛	4 3/16 - 4 1/16	4 5/16 - 4 3/16	4 9/16 - 4 7/16	4⅞ - 4¾	5 7/16 - 5 5/16
Italian Lira	8½ - 7	7¾ - 7¼	7 13/16 - 7 11/16	7⅞ - 7¾	8 1/16 - 7 15/16	8 7/16 - 8 5/16
Yen	2⅛ - 2 1/16	2⅛ - 2 1/16	2⅛ - 2 1/16	2 3/32 - 2 1/32	2¼ - 2 3/16	2½ - 2 7/16
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4 7/16 - 4 5/16	4¾ - 4⅝	5 3/16 - 5 1/16	5 13/16 - 5 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.53	94.52	+0.03	94.55	94.50	16,128	60,481
Dec	94.34	94.30	+0.01	94.34	94.28	10,463	38,447
Mar	94.06	94.00	-0.01	94.06	93.99	10,080	35,306
Jun	93.71	93.65	-	93.72	93.63	4,643	24,478

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.94	94.98	+0.07	94.96	94.94	55	2235
Dec	94.25	94.25	+0.04	94.25	94.25	5	1790
Mar	94.04	94.08	+0.07	94.05	94.04	55	1086
Jun	93.76	93.78	+0.09	93.76	93.76	55	255

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.08	95.05	-0.02	95.08	95.02	25163	190399
Dec	94.87	94.85	-0.02	94.88	94.81	25243	208214
Mar	94.62	94.59	-0.03	94.64	94.55	20330	204389
Jun	94.26	94.23	-0.03	94.28	94.18	10842	101885

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.96	91.94	-0.02	91.97	91.81	8419	44505
Dec	91.66	91.62	-0.04	91.66	91.54	6897	51470
Mar	91.26	91.30	-0.04	91.31	91.25	1112	13215
Jun	90.89	90.88	-0.06	90.89	90.83	717	7823

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.49	95.50	+0.03	95.53	95.43	4712	30006
Dec	95.25	95.28	+0.03	95.30	95.23	2253	9162
Mar	94.96	94.96	-	95.00	94.96	309	7094
Jun		94.66	-0.01			0	290

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.20	94.20	-	94.26	94.16	244	12670
Dec	94.00	94.01	-	94.04	93.98	313	8251
Mar	93.74	93.75	-0.01	93.78	93.73	216	3370
Jun	93.35	93.36	-0.05	93.40	93.33	166	50

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.94	94.95	+0.02	94.98	94.93	173,942	443,771
Dec	94.23	94.26	+0.03	94.29	94.21	226,379	394,480
Mar	94.05	94.05	+0.03	94.08	94.04	87,110	276,289

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.84	95.83	-	95.84	95.83	2,519	5,447
Sep	95.41	95.41	+0.03	95.43	94.40	1,368	19,317
Dec	94.81	94.81	+0.03	94.82	94.80	328	7,212

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	Aug	Sep	Dec	PUTS Jul	Aug	Sep	Dec
9500	0.11	0.15	0.17	0.18	0.06	0.10	0.12	0.33
9525	0.03	0.06	0.08	0.10	0.23	0.26	0.28	0.50
9550	0.01	0.02	0.03	0.05	0.46	0.47	0.48	0.70

Est. vol. total, Calls 1563 Puts 793. Previous day's open int., Calls 184791 Puts 129637

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9550	0.17	0.18	0.18	0.17	0.40	0.72
9575	0.08	0.10	0.11	0.33	0.57	0.90
9600	0.04	0.06	0.07	0.54	0.78	1.11

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 275 Puts 1575

UK INTEREST RATES

LONDON MONEY RATES

Jun 15	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 4⅝	4⅞ - 4⅝	4 13/16 - 4 11/16	5⅛ - 5	5 7/16 - 5 5/16	6 1/16 - 5 31/32
Sterling CDs	-	-	4 23/32 - 4 21/32	5 1/32 - 5	5⅜ - 5¼	5⅞ - 5 27/32
Treasury Bills	-	-	4 21/32 - 4⅝	4 31/32 - 4 15/16	-	-
Bank Bills	-	-	4⅝ - 4 9/16	4 31/32 - 4 15/16	5¼ - 5⅛	-
Local authority deps.	5¾ - 5⅝	4¾ - 4⅝	4 13/16 - 4 11/16	5⅛ - 5	5 7/16 - 5 5/16	[illegible]
Discount Market deps	5½ - 5	4⅞ - 4½	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 4.6076pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1994. Agreed rate for period Jun 26, 1994 to Jul 25, 1994, Scheme II & III 6.47pc. Reference rate for period Apr 30, 1994 to May 31, 1994, Scheme IV & V 5.232pc. Finance House Base Rate 6½pc from June 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.84	94.86	+0.02	94.87	94.83	5793	49093
Sep	94.37	94.47	+0.11	94.48	94.32	32815	103097
Dec	93.73	93.94	+0.22	93.97	93.68	33336	142067
Mar	93.20	93.37	+0.23	93.38	93.00	16568	61236

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9475	0.13	0.05	0.07	0	0.33	0.88
9500	0	0.01	0.04	0.12	0.54	1.10
9525	0	0	0.01	0.37	0.78	1.32

Est. vol. total, Calls 7661 Puts 2485. Previous day's open int., Calls 214170 Puts 188424

BASE LENDING RATES

Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	•Smith & Williamson Secs	5.25
•Henry Ansbacher	5.25	•Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	•United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	•Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	•Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	•Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
•Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	•Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	•Mount Banking	5.25		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	•Rea Brothers	5.25		

• Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 15 / Sch)

BELGIUM/LUXEMBOURG (Jun 15 / Frs.)

DENMARK (Jun 15 / Kr)

FINLAND (Jun 15 / Mks)

FRANCE (Jun 15 / Frs.)

GERMANY (Jun 15 / Dm.)

ITALY (Jun 15 / Lire)

NETHERLANDS (Jun 15 / Fls.)

NORWAY (Jun 15 / Kroner)

SPAIN (Jun 15 / Pts.)

SWEDEN (Jun 15 / Kronor)

SWITZERLAND (Jun 15 / Frs.)

PACIFIC

JAPAN (Jun 15 / Yen)

AUSTRALIA (Jun 15 / Aust$)

HONG KONG (Jun 15 / H.K.$)

MALAYSIA (Jun 15 / MYR)

SINGAPORE (Jun 15 / S$)

NORTH AMERICA

CANADA

TORONTO (Jun 15 / Can $)

4 pm close

MONTREAL (Jun 15 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (4)(Jun 15 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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(4) Due to problems at the exchange, these South African prices were unavailable for this edition.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, June 15, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
M'bishi Hvy	12.1m	798	−14	Toyota	4.4m	2170	+20
Unitika	6.4m	390	+18	Kawasaki Steel	4.0m	412	−3
Kurabo Inds	5.8m	500	−4	Iseki	4.0m	504	−15
Oki Electric	5.3m	770	+6	Nippon Steel	3.9m	392	−4
Sanyo	5.3m	584	+1	Fujitsu	3.8m	1130	−10

INDICES

US INDICES

■ RATIOS

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ CAC-40 STOCK INDEX FUTURES (MATIF)

** Sat Jun 11 : Taiwan Weighted Price 6073.43; Korea Comp Ex 916.60. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 15 - 2078.21 -15.23

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close June 15

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	14⅛	AAR	0.48	3.2	485	137	15⅛	14⅞	14⅞	-¼
16⅞	13¼	A L Labs A	0.18	1.3	32	75	14⅛	13⅞	13⅞	-⅛
66	57⅞	AMP	1.88	2.8	22	2989	65	64¼	64⅝	+¼
72¾	52⅛	AMR			29	2619	58¾	57⅝	57⅝	-⅝
5	3⅞	ARX			14	84	4⅞	4¼	4¼	-⅛
56⅛	38⅝	ASA	2.00	4.5	29	881	44½	43¾	44¼	+⅜
31⅜	25⅞	Abbtt L	0.76	2.5	18	10698	30⅞	30¼	30⅝	+¼
13¾	11⅝	AbitIbi Pr	0.50	4.1	6	116	12⅜	12¼	12¼	
27⅞	17¾	ABM Ind	0.52	2.3		65	d22¼	21¾	22¼	+⅛
13¾	11⅛	Acptncain			23	111	12¾	12½	12¾	
31	24½	ACE Ltd	0.44	1.7	4	1058	25⅝	25¼	25¼	+⅛
12½	10⅛	ACM Gvt In	1.09	9.6		171	11⅝	11¼	11⅜	+⅛
10⅛	7⅞	ACM GvOpp	0.80	9.4		77	8⅝	8½	8½	-⅛
10⅝	8⅞	ACM Gvt Sp	0.98	10.8		208	8⅞	8¾	8⅞	+⅛
12	9⅞	ACM Gvt Se	1.09	10.9		570	10⅛	10	10	-⅛
11¾	8¾	ACM Man	1.06	11.1		103	9¾	9⅝	9¾	+⅛
9¼	8	ACM Managd	0.72	8.5		31	8½	8½	8½	
15½	8¾	AcmeCv	0.44	4.0	13	39	11	10⅞	10⅞	
9¼	6⅝	Acme Elect			5	60	7⅜	7⅛	7⅛	-⅛
28¾	23	Acordia x	0.60	2.1	14	14	28⅛	28	28⅛	+⅛
9⅜	5¾	Actava	0.36	4.0	3	653	9	8⅞	9	+⅛
15⅝	11¼	Acuson			112	94	14¾	14⅝	14⅝	
18⅝	16½	Adams Expr	0.48	2.8	0	135	17⅜	17¼	17⅜	+⅛
64	48½	Ad Micro	3.00	6.5		58	55¾	54½	54½	-1
31⅜	16⅝	AdvMic	3.00	11.3	11	4022	27⅛	26⅛	26½	-¼

[illegible]

Continued on next page

4 pm close June 15

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		Continued from previous page								
18½	13⅝	SityKl x	0.36	2.1	9	1589	17¾	17⅛	17¼	-⅝
27	19¼	Safeway			24	615	25¼	24⅞	24⅞	-⅜
6⅜	4⅜	SafewayW98				182	5⅞	5⅞	5⅞	
57⅞	50¼	StJoePaper	0.20	0.4	294	81	56⅝	55¾	55⅞	-¾
30¼	25½	StJosL&P	1.80	6.2	14	20	28⅞	28¾	28⅞	
45	37¾	StPaul	1.50	3.8	4	863	40	39½	39½	-½
9⅜	6⅛	Salant Crp			8	172	7	6¾	7	+¼
49⅞	37¾	Sallie Mae x	1.40	3.6	8	1799	39⅜	39¼	39¼	
13⅞	11⅞	Salomon Br	0.28	2.2		247	12¾	12⅝	12⅝	
52¾	44¾	Salomon x	0.64	1.3	6	1940	50⅝	50⅛	50¼	-⅛
25	18⅝	SnDgGE x	1.52	8.1	10	954	19¼	18⅞	18⅞	-⅛
10	7½	SantaFeERs	0.16	1.8	9	570	9⅛	9	9	
40	34½	SantaFePac	2.80	7.9	16	61	35½	35¼	35¼	-⅛
26¼	19¾	SanFeP	0.10	0.4	12	3855	23⅞	22⅝	22¾	
26	20⅛	SaraLee	0.64	2.9	15	8183	22¾	22¼	22⅜	-¼
50⅛	42¾	Scana Corp x	2.62	6.4	11	257	44⅜	44⅛	44¼	-¼
20½	13½	Scecrp	1.42	10.3	9	5464	13⅞	13¾	13¾	
40½	34¼	ScheringP			27	487	36	35⅜	35¾	+½
69⅜	54½	SchrPl	2.04	3.1	15	2781	65¾	65⅛	65½	+½
61½	50¾	Schlmb	1.20	2.1	23	3705	57⅝	56¾	57⅞	+⅛
33⅞	25¼	Schwab(C)	0.28	1.0	13	1774	29¼	27⅞	28	-1
10⅛	6⅛	Schwitzer			23	99	8¼	8	8⅛	+⅛
38⅜	24⅞	SciAtl	0.12	0.3	75	2140	38	36⅝	37¾	+1⅛
16⅞	13⅛	Scotman	0.10	0.7	13	161	14¾	14⅝	14¾	

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
28⅜	21⅞	TJX	0.56	2.3	14	1479	24⅛	23½	23⅞	+⅜
18¾	14½	TNP Enterp	1.63	10.7	15	59	15¼	15⅛	15¼	+⅜
77⅜	61	TRW	1.88	2.9	19	403	66	65⅜	65⅞	-⅜
13⅜	7⅛	T2 Medcl x	0.10	0.9	10	3841	11¾	11⅜	11⅝	-¼
39⅛	22⅝	Taiwan Fd				138	29⅜	29	29	-⅛
7⅜	5⅜	Talleyind	0.42	6.1	11	115	7	6⅞	7	
12¾	10	Talley Pf	1.00	8.2		z100	12¼	12¼	12¼	-¼
44½	34¾	Tmbrds	1.68	4.4	20	529	38¾	38¼	38⅜	-⅝
16⅜	10½	Tandem			2	1676	13	12⅝	12⅝	-¼
49⅞	30¾	Tandy	0.60	1.6	14	1112	37⅛	36⅜	36⅞	+½
12¾	9½	Taurus Mun	0.70	6.7		73	10½	10⅜	10½	
22⅝	18¼	Teco Energ	1.01	5.1	16	926	20¼	19⅞	19⅞	-¼
33⅜	23⅝	Tktrnx	0.60	2.1	18	544	28⅝	28¼	28¼	-¼
4	2¾	Telecom			20	z100	3⅝	3⅝	3⅝	
26⅝	14¼	Teldyn	0.80	4.6	60	445	18⅛	17½	17½	-⅝
46⅛	34⅝	TeleEspSA	1.05	2.6	8	1027	41½	40¾	41	-⅜
76	50⅛	Telmex x	1.53	2.6	12	25301	59¾	58½	59	
54¾	43¾	Tmplnl	1.00	2.0	41	641	50¼	49¼	49⅝	-¼
30⅝	19½	TempltEmMk	0.17	0.7		37	24⅛	24	24	
8⅝	6¾	TempltGlob	0.60	8.6		425	7⅛	6⅞	7	
8	6¾	TempltGrd x	0.60	8.6		609	7⅛	7	7	-⅛
58¾	45⅛	Tnneco	1.60	3.2	19	2452	50	49⅝	49⅞	+⅜
30	25⅝	Teppco Pts	2.40	8.1	11	83	29½	29⅛	29½	+⅜
31⅛	20⅜	Teradyne			26	1293	26⅛	25⅞	26	
9⅞	5½	Terex	0.08	1.0	0	279	6¼	5⅞	5⅞	-⅛

AMEX COMPOSITE PRICES

4 pm close June 15

NASDAQ NATIONAL MARKET

4 pm close June 15

AMERICA

Dow subsides as bond market turns softer

Wall Street

US stocks failed to sustain their forward momentum yesterday morning as a soft bond market encouraged investors to book profits after Tuesday's rally, *writes Frank McGurty in New York*.

By 1 pm, the Dow Jones Industrial Average was 13.64 lower at 3,800.88, while the Standard & Poor's 500 was down 0.74 to 461.63 in moderate trading.

In the secondary markets, the American SE composite dipped 0.53 to 442.12, while the *Nasdaq composite* edged 0.65 ahead to 736.63.

As the session opened, investors were inclined to extend the 32-point rally by the Dow industrials during the previous session. The day's economic news presented no obvious obstacles to that ambition: the Federal Reserve reported that industrial production last month *had risen* by *0.2* per cent, while capacity utilisation dipped to 83.5 per cent from 83.6 per cent in April.

The figures, although a shade stronger than economists had forecast, were con*sistent with the view that the* economy had returned to moderate, non-inflationary growth.

A firmer bond market was supportive, and stocks posted modest gains across the board in early trading.

But seemingly conflicting remarks by two Fed governors on the outlook for inflation triggered a reversal in Treasury prices. Equities followed suit, and shifted into negative territory.

Cyclical issues, which led the previous session's advance, gave back most of their early gains. *Caterpillar* dipped $¼ to $109¼ and Allied Signal edged $⅞ lower to $36⅞.

Exxon remained one of the weakest components in the Dow index. The stock, hard hit by an unfavourable court ruling on the Exxon Valdez oil spill, dropped a further $1¼ to $57⅞, a new 52-week low.

Elsewhere in the energy sector, Mobil lost $1 to $83⅞ and Texaco retreated $⅞ to $63⅞.

In the beverage industry, the *misgivings* among investors which hurt PepsiCo and Coca-Cola last week finally caught up with Cott, an aggressive Canadian-based bottler. Its share price plunged 2\frac{13}{16}$ to 15\frac{1}{16}$ on a downgrading by Lehman Brothers, which said that escalating competitive pressures could backfire on the company.

Meanwhile, PepsiCo added $½ to $32¼ and Coke held steady at $39⅞. Snapple, the iced-tea bottler, continued to wilt under the summer sun, dropping a further $1 to $23¼.

Scott Paper jumped $2¼ to $53¼ *the day after a company* briefing was described by analysts as "upbeat and positive". The issue gained extra support from reports that its chairman had boosted his stake in the company.

Geon, a leading producer of vinyl resins, climbed $1¼ to $28¼ in unusually active trading of 1.1m shares. The company said that it was unaware of any developments which may have triggered the upturn.

On Nasdaq, most technology stocks meandered within a fraction of their opening values.

But Applied Materials added $1½ to $42 and Oracle gained $1¼ to $37⅞.

Canada

Toronto stocks were lower at midday following weakness in the Canadian dollar and bond markets.

The TSE-300 composite index fell 25.89 to 4,172.68 in volume of 29.2m shares valued at C$389.5m. Declines led advances by 372 to 202, with 290 issues unchanged.

The Canadian dollar hit C$1.3901 against the US dollar, while the domestic 30-year long bond lost C$1.50 to yield 9.196 per cent.

All Toronto's sub-sectors were down with the exception of precious metals, which jumped 1.24 *per cent on a* stronger bullion price.

American Barrick gained C$⅞ to C$33⅞ while Placer Dome climbed C$¼ to C$31.

Bank of Montreal shed C$⅞ to C$22⅞.

Brazil

São Paulo was up 3 per cent by midday, but traders did not expect substantial activity in the afternoon following on from the settlement of the futures index during the morning session. The Bovespa index was up 903 at 31,077, in low turnover of Cr145.3bn ($65m).

Industrial sector is highlight in Johannesburg

Industrial shares provided one of the main features of the day in a thinly traded session, the index climbing *33 to 6,757*. The overall index receded *16 to 5,746* and the golds index shed *31 to 2,090*.

De Beers retreated R2.25 to R116, while Anglos lost R6 at R241. Gencor eased 30 cents to R11.70 and, in golds, Kloof declined R1.25 to R64.50. Argus Newspapers saw its first trade since its listing on Monday and jumped R4 to R15.

● The Johannesburg stock exchange, which faces a threat from the Merchant Bankers Association to form a rival exchange in South Africa, said yesterday that it had embarked on proposals for a so-called "evolutionary" change in its practices. Critics of this approach had called for full deregulation.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms June 10 1994	% Change over week	% Change on Dec '93	Local currency terms June 10 1994	% Change over week	% Change on Dec '93
Latin America	(210)	627.84	-1.9	-3.5			
Argentina	(25)	926.67	-4.0	-6.8	568,627.12	-4.0	-6.8
Brazil	(57)	269.20	+3.0	+15.7	776,240,299.7	+12.4	+663.9
Chile	(25)	677.07	-0.4	+22.7	1,144.41	-0.3	+20.1
Colombia[1]	(11)	909.29	+0.6	+41.0	1,349.60	+0.2	+45.6
Mexico	(69)	869.84	-3.8	-13.6	1,260.12	-2.8	-6.6
Peru[2]	(11)	149.80	-0.0	+23.9	200.15	-0.0	+25.9
Venezuela[3]	(12)	576.08	-7.4	-2.7	2,191.09	-6.4	+54.2
Asia	(558)	244.80	+2.5	-15.9			
China[4]	(18)	95.83	-2.6	-35.8	104.86	-2.6	-36.1
South Korea[5]	(156)	126.72	-2.0	+7.2	134.29	-2.0	+7.0
Philippines	(18)	296.51	-3.1	-12.9	384.60	-1.8	-13.4
Taiwan, China[6]	(90)	132.24	-0.5	-2.2	134.44	-0.3	+0.5
India[7]	(76)	133.46	+2.7	+14.6	147.58	+2.7	+14.6
Indonesia[8]	(37)	103.68	-0.7	-16.9	121.93	-0.7	-14.4
Malaysia	(105)	265.28	+4.7	-21.8	254.15	+4.9	-24.6
Pakistan[9]	(15)	353.75	-0.7	-8.8	491.58	-0.7	-6.9
Sri Lanka[10]	(5)	172.77	-2.3	-2.5	186.32	-2.3	-2.4
Thailand	(55)	388.54	+1.3	-18.6	389.54	+1.5	-19.4
Euro/Mid East	(125)	101.14	+2.6	-40.3			
Greece	(25)	203.16	-4.4	-10.8	344.59	-4.1	-10.4
Hungary[11]	(5)	181.26	-5.6	+8.8	228.01	-4.2	+12.9
Jordan	(13)	162.33	-1.0	-1.9	234.43	-0.7	-2.1
Poland[12]	(12)	586.70	-11.1	-28.3	845.46	+10.2	-23.4
Portugal	(25)	111.38	-1.5	-2.1	132.90	-1.3	-3.8
Turkey[13]	(40)	89.19	+14.4	-58.0	1,349.02	+13.3	-7.3
Zimbabwe[14]	(5)	278.38	-3.6	+37.8	328.66	-3.2	+53.8
Composite	(892)	312.16	+0.3	-12.2			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Venezuela's banking crisis reached a new level on Tuesday as the government closed eight financial institutions which it had been supporting since the beginning of the year. The equity market reacted immediately with a 3 per cent fall, but regained most of the ground yesterday, rising 2 per cent.

Analysts commented that the news was actually positive since it showed that the Caldera administration was now determined to tackle the country's economic problems with resolution.

Ms Janet Krengel of Kleinwort Benson Securities in London noted that emergency aid to the banks, which had been crippled by the collapse of Banco Latino in January, had cost $3bn. Taken together with a pledge by the finance minister to raise domestic fuel prices, the new policies signalled that the government had been forced by events to seriously address Venezuela's economic difficulties.

"The seizure by regulators of the eight languishing banks is but a sign of things to come," Ms Krengel said. "Investors should expect a series of potentially destabilising arrests of prominent members of the financial sector and judiciary in what promises to be a *rocky road to recovery*."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JUNE 14 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JUNE 13 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	173.05	-0.5	169.07	112.30	147.93	157.62	0.4	3.49	173.93	169.78	113.40	149.20	157.20	189.15	130.19	132.92
Austria (17)	180.71	-1.1	176.56	117.27	154.48	154.45	-1.3	1.03	182.64	178.28	119.06	156.67	166.55	195.41	142.90	149.24
Belgium (37)	167.66	0.2	163.81	108.80	143.32	139.90	-0.2	3.94	167.33	163.33	109.09	143.53	140.14	176.67	142.02	145.84
Canada (106)	128.15	-0.2	125.21	83.17	109.55	126.49	0.1	2.64	128.42	125.35	83.73	110.16	128.39	145.31	121.46	127.29
Denmark (33)	254.97	-0.7	249.12	165.47	217.96	223.07	-1.1	1.32	256.81	250.68	167.43	220.29	225.47	275.79	207.58	217.64
Finland (23)	133.88	-2.1	130.80	86.88	114.44	154.72	-1.9	0.94	136.75	133.49	89.16	117.31	157.76	156.72	85.54	90.09
France (97)	164.92	0.8	161.13	107.02	140.98	145.14	0.5	3.10	163.54	159.64	106.63	140.29	144.38	185.37	149.60	156.66
Germany (59)	134.23	-1.2	131.15	87.11	114.75	114.75	-1.5	1.80	135.83	132.59	88.56	116.52	116.52	147.07	107.59	114.16
Hong Kong (56)	372.97	0.0	364.40	242.04	318.84	370.43	0.0	3.21	372.90	364.01	243.13	319.88	370.43	506.56	271.42	296.18
Ireland (14)	165.76	-0.1	161.50	120.55	158.80	176.65	-0.3	3.44	186.03	181.59	121.29	159.58	177.27	209.33	155.93	163.35
Italy (60)	86.06	-1.4	84.08	55.85	73.57	102.75	-1.1	1.56	87.26	85.18	56.89	74.85	103.85	97.78	57.88	68.60
Japan (469)	166.10	-0.1	162.29	107.79	142.00	107.79	-0.6	0.71	166.34	162.38	108.46	142.70	108.46	166.34	124.54	155.95
Malaysia (98)	475.17	-0.1	464.25	308.37	406.21	474.93	0.0	1.70	475.56	464.31	310.13	408.03	474.87	621.63	312.51	349.34
Mexico (18)	1964.52	-3.4	1919.38	1274.89	1679.37	7245.97	-3.2	1.07	2032.98	1984.45	1325.48	1743.91	7489.56	2647.06	1438.19	1438.19
Netherland (27)	200.20	0.6	195.60	129.92	171.15	168.27	0.1	3.38	199.09	194.34	129.81	170.79	168.08	207.43	164.22	170.25
New Zealand (14)	67.61	-2.1	66.06	43.88	57.80	61.27	-1.6	3.90	69.04	67.40	45.02	59.23	62.26	77.59	48.77	48.77
Norway (23)	183.77	-0.8	179.54	119.26	157.09	177.85	-1.2	1.86	185.28	180.85	120.80	158.93	180.00	206.42	160.61	153.09
Singapore (44)	336.89	-1.5	329.15	218.63	287.99	237.82	-1.5	1.77	342.01	333.85	222.98	293.38	241.41	378.92	242.46	256.12
South Africa (59)	280.34	0.8	273.90	181.93	239.65	294.42	0.8	2.14	278.70	272.05	181.71	239.07	292.09	280.34	175.93	192.16
Spain (42)	143.72	0.7	140.41	93.27	122.85	147.20	0.5	3.93	142.74	139.33	93.06	122.44	146.49	155.79	116.33	130.15
Sweden (36)	212.64	0.0	207.76	138.00	181.78	248.66	0.2	1.61	212.56	207.49	138.59	182.34	248.26	231.35	163.85	177.56
Switzerland (47)	161.69	0.4	157.97	104.93	138.22	138.93	-0.2	1.75	161.05	157.20	105.00	138.15	139.23	176.56	124.46	128.47
United Kingdom (205)	188.37	0.5	184.04	122.24	161.03	184.04	0.6	4.08	187.39	182.92	122.18	160.75	182.92	214.96	170.32	179.12
USA (519)	188.49	0.7	184.16	122.32	161.13	188.49	0.7	2.85	187.27	182.90	122.10	160.64	187.27	196.04	178.95	182.86
EUROPE (719)	164.86	0.1	161.06	106.98	140.92	153.37	0.0	3.05	164.62	160.69	107.33	141.21	153.39	178.68	141.58	147.13
Nordic (115)	202.27	-0.5	197.62	131.26	172.91	204.35	-0.5	1.48	203.28	198.43	132.54	174.38	205.41	220.60	155.82	165.48
Pacific Basin (750)	173.44	-0.2	169.45	112.55	148.27	117.30	-0.5	1.03	173.76	169.60	113.29	149.05	117.93	173.75	134.79	159.07
Euro-Pacific (1469)	*169.89*	*-0.1*	*165.79*	*110.12*	*145.06*	*132.03*	*-0.3*	*1.85*	*169.76*	*165.73*	*110.70*	*145.64*	*132.46*	*170.78*	*141.96*	*154.05*
North America (625)	184.75	0.6	180.50	119.89	157.93	184.38	0.6	2.84	183.62	179.24	119.72	157.51	183.23	192.73	175.67	179.41
Europe Ex. UK (514)	148.47	-0.1	145.05	96.35	126.92	134.50	-0.4	2.43	148.60	145.05	96.89	127.47	135.01	157.47	122.37	127.30
Pacific Ex. Japan (281)	247.20	-0.4	241.52	160.42	211.32	222.58	-0.1	2.87	248.16	242.24	161.80	212.88	222.79	296.21	182.38	190.20
World Ex. US (1652)	170.67	-0.1	166.74	110.75	145.89	135.33	-0.3	1.86	170.81	166.73	111.37	146.52	135.78	172.51	142.94	154.28
World Ex. UK (1966)	174.30	0.1	170.29	113.11	149.00	148.66	0.0	2.02	174.06	169.90	113.48	149.31	148.72	175.58	153.22	161.25
World Ex. So. Af. (2112)	174.92	0.2	170.90	113.51	149.53	150.91	0.0	2.21	174.62	170.45	113.85	149.79	150.89	176.56	155.00	162.76
World Ex. Japan (1702)	182.89	0.3	178.69	118.69	156.34	176.98	0.3	2.89	182.31	177.96	118.87	156.39	176.45	195.20	165.72	168.52
The World Index (2171)	*175.56*	*0.2*	*171.53*	*113.93*	*150.08*	*151.97*	*0.0*	*2.21*	*175.25*	*171.07*	*114.26*	*150.34*	*151.94*	*176.97*	*156.17*	*162.88*

Latest prices were unavailable for this edition. Market closed 14/6/94: Hong Kong.

EUROPE

Thyssen up as Mannesmann falls again

Bourses turned from flat to mildly bearish in the afternoon as the US bond market slid off its highs, *writes Our Markets Staff*, and professional opinion was divided on prospects.

European cyclicals were overvalued, said Mr Joe Rooney of Lehman Brothers, underweighting Germany and *Sweden. Merrill Lynch*, meanwhile, expected Germany to outperform on faster earnings growth, fuelled by cost-cutting and rising exports.

Other strategists focused on bond yield differentials, and came up with *different conclusions*. On a shorter term view, the Smith New Court team said that UK equities should outperform their German counterparts on a narrowing of the yield differential between UK and German bonds.

However, Mr David Roche's Independent Strategy expected German bunds to strengthen considerably in the next three to six months, that German equities would outperform and that the French market – with more limited room for upward movement in bond prices – would be an underperformer.

FRANKFURT, not surprisingly, went nowhere on the day, the DAX index standing still on the session at 2,074.70 and easing just slightly to 2,073.21 in the post-bourse.

The main excitement of the day was provided by Mannesmann and Thyssen, once stolid steel and engineering companies but recently enlivened by their diversification into mobile telephone networks.

Mannesmann dropped DM14.30 to DM412, and another *DM4.50 to DM407.50 in the London* afternoon, down DM38.50 this week and DM81, or over 16 per cent below its high for the year. Thyssen, on the other hand, climbed DM10.30, or 3.8 per cent to DM283.30.

Thyssen impressed German analysts at a meeting this week and while their earnings estimates diverge – DM11 a share, and DM20 are both respectable forecasts for the 1994-95 year beginning next *October – most of them are* buyers on the prospect of steel price increases, and accelerating earnings growth thereafter.

In *Mannesmann's case*, public prosecutors in Düsseldrof said yesterday that there was no evidence linking the company's chairman, Mr Werner Dieter, to improprieties as alleged by Der Spiegel in an *article over the weekend*.

PARIS turned lower once more as Tuesday's rise proved to be unsustainable. In a market *that is currently unable* to attract buyers, the CAC-40 index shed 25.60 to 1,966.39, to bring the loss on the week so far to 2.7 per cent.

Turnover was FFr3.7bn.

In a technical analysis of the French market, James Capel suggested that in the short-term the downside might find support at the *1,800 level*, even though economic fundamentals were sound. "Getting back through 2,100 will be a struggle," it added, "having been a level of strong support on the way down".

Elf Aquitaine, off FFr1.90 at FFr398.70, attracted negative comment from Hoare Govett, which maintained its sell recommendation. The broker said that the group had suffered due to over-expansion in recent years while, under its new management, it had been pulling back in order to prevent a further rise in the debt burden. "Cost cutting will be the next phase, but Elf starts three to four years later than most of the other *companies* in the sector," it added. "What is more, a large scale restructuring might still not be easy to realise in France's troubled labour market."

AMSTERDAM was easier *with the AEX down 0.54 at* 400.85, after a high of 402.31.

Philips and Begemann, the industrial group, both went against the trend on news of investments outside Holland. The consumer products group, up 10 cents at Fl 52.40, is to invest Fl 75m in its Brazilian unit which manufactures television tubes. The group said that this would *help meet* the growing demand for television sets in Latin America.

Begemann advanced 20 cents to Fl 45.10 on news that it was to purchase a 75 per cent stake in Deutsche Waggonbau, a maker *of* railway rolling stock, from the east German Treuhand privatisation agency.

MILAN fell on the last day of the account as investors positioned *themselves* ahead of capital increases and equity offerings. The Comit index eased 2.53 to 715.42.

Mondadori tumbled L3,200 to L15,300 following the announcement late on Tuesday that its issue price had been set at the top end of expectations. However, analysts do not expect there to be a problem in getting the issue away.

ZURICH had a nervous afternoon as a weak dollar and foreign selling added to negative sentiment. The SMI index fell 35.4 to 2,704.6.

MADRID combined the fall of the dollar with weak bonds and political uncertainty, emerging with the general *index 4.58, or 1.4 per cent lower* at 317.80; the fall was the more worrying as it was sustained in high turnover of Pta40.5m.

ISTANBUL finished 3.5 per cent higher in spite of late profit-taking. The composite index rose 509.49 to 18,009.92 but caution remained ahead of a constitutional court decision on the government's privatisation programme.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jun 15 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1383.78	1380.70	1381.60	1381.60	1380.22	1377.24	1375.25	1376.41
FT-SE Eurotrack 200	1415.88	1412.01	1413.89	1413.85	1412.99	1408.33	1407.12	1408.06

	Jun 14	Jun 13	Jun 10	Jun 9	Jun 8
FT-SE Eurotrack 100	1383.94	1388.52	1411.45	1408.97	1420.74
FT-SE Eurotrack 200	1413.81	1412.64	1432.80	1430.94	1439.28

Base 1000 (26/10/90); High/day: 100 - 1383.91; 200 - 1416.68 Low/day: 100 - 1374.72 200 - 1406.33

ASIA PACIFIC

Nikkei easier in mixed regional sentiment

Tokyo

Lacking support from overseas investors, the Nikkei 225 average closed marginally lower, *writes Emiko Terazono in Tokyo.*

The index lost 71.01 at 21,282.96 after a day's high of 21,496.60 in the morning and a low of 21,234.65 just before the close. Bargain hunting in the morning session from domestic institutions lifted prices, but a fall in the futures market in the afternoon prompted index-linked selling.

Volume remained flat at 470m shares. The Topix index of all first section stocks dipped 4.53 to 1,698.27 and the Nikkei 300 eased 1.16 to 308.50, but rises led falls by 527 to 476, with 179 issues unchanged. In London the ISE/Nikkei 50 index put on 2.71 at 1,396.02.

Large-capital steels and shipbuilders lost ground on profit-taking. The high-liquidity shares had led the market's recent advance due to their accessibility and low prices, but the sudden rise in share prices, and sluggish profit prospects, had begun to make them look unattractive on a valuation basis. Mitsubishi Heavy Industries, the day's most active issue, fell Y14 to Y798 and Nippon Steel declined Y4 to Y362.

Toyota Motor, the vehicle manufacturer, rose Y20 to Y2,170 on improved sales and profits prospects. Other companies within Toyota's keiretsu, or corporate grouping, also gained ground, with Toyoda Automatic Loom Works up Y40 to Y1,830 and Aisin Seiki ahead Y20 at Y1,370. Other car makers were hurt by profit-taking: Honda Motor shed Y30 to Y1,900 and Nissan Motor Y12 to Y871.

Arbitrage selling hurt bank stocks, Industrial Bank of Japan easing Y10 to Y3,220 and Dai-Ichi Kangyo Bank Y20 to Y1,970. Electronics makers were also softer, Hitachi losing Y10 to Y1,080.

Textile issues, favourites among short term speculators, *were actively traded. Unitika*, the day's second most active issue, rose Y18 to Y390, but Kurabo Industries lost an initial gain to end Y4 off at Y500.

In Osaka, the OSE average dipped 42.36 to 23,626.20 in volume of 47.5m shares. Profit-taking depressed electronics and pharmaceuticals, Ono Pharma*ceutical falling* Y100 to Y4,900.

Roundup

Overnight gains in US equity and bond markets had a limited effect on sentiment in the *Pacific Basin.*

KUALA LUMPUR finished higher as corporate developments gave retail investors an incentive to buy, the KLSE composite index gaining 15.46, or 1.5 per cent, at 1,028.95. Volume jumped from *184m* to 338m shares.

Idris, which received Finance Ministry approval to negotiate the acquisition of a majority stake in Bank of Nova Scotia's Malaysian operations, rose 5 cents to M$5.20. Time moved ahead 20 cents to M$6.70 after being awarded a licence to operate a *domestic* telecommunications service.

KARACHI rose 1.1 per cent, the KSE 100 closing 24.12 stronger at 2,254.95, but declines outscored advances by 167 to 154. Dealers said investors were taking *positions*, now that confusion about new taxes in the June 9 budget was being removed.

SINGAPORE made a late comeback, the Straits Times Industrial index ending 8.21 up at 2,286.51 after dipping to 2,270.76. Creative Technology closed at S$29.50, against an offer price of S$25.80.

WELLINGTON recouped some of Tuesday's losses to finish with the NZSE-40 index 24.32 higher at 2,100.87 in turnover of NZ$34.4m, helped by the overnight advance on Wall Street and in US bond markets.

TAIPEI majored in electronics exporters and financials as the weighted index moved forward 16.12 points to end at 6,115.06 in turnover down from T$75.7bn *to T$57.4bn. Strong* bargain buying in electronics issues, reflecting the weak Taiwanese dollar, took United Microelectronics and Acer up by T$4 and T$1.50 to T$133 and T$78.50 respectively.

Financials saw buying from brokerages and other major investors. China Trust rose T$3.50 to T$67 on expectations of improved profits this year.

HONG KONG, back from two days' holiday, saw late demand from overseas investors for banks and large conglomerates and closed 38.36 higher at 9,149.52.

The utilities sector rose 101.92 to 10,876.30, boosted by recent buy recommendations on potential gains in the China market. HK Telecom firmed 10 cents to HK$15.10.

SYDNEY rose at first on the Dow, but the All Ordinaries index closed 2.2 down at 2,074.4 after a high of 2,084.1.

SEOUL dropped 1.4 per cent on the lingering North Korean nuclear issue, the composite *index ending* 12.90 lower at 890.92. **COLOMBO's** all-share index fell 18.50, or 1.9 per cent, to 944.30 on general uncertainty and profit-taking.